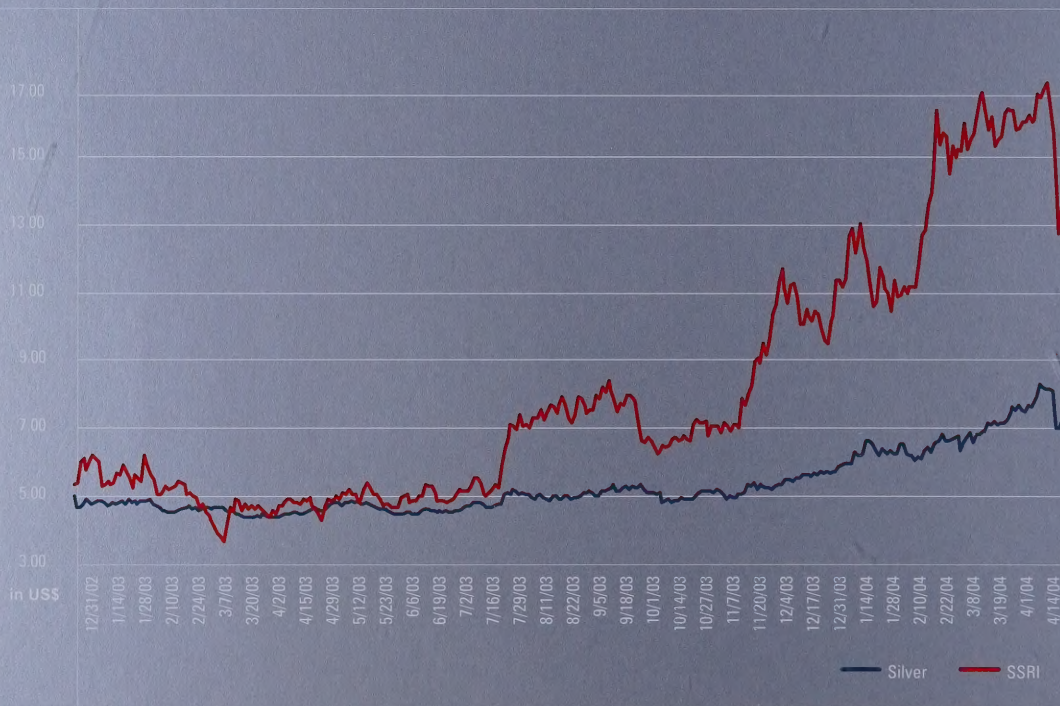


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| Message to Shareholders    | p2  |
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## Silver Standard Reflects Silver Jan 1, 2003 – April 19, 2004



High-Grade Silver Mine  
 Mon May 12, 2003 Silver  
 Cordon Colorado And  
 New Zone At La Pita  
 remaining Phase III  
 Durango in west cen  
 Cordon Colorado zo  
 Silver Grades Up To 4  
 to report the definit  
 located approximate  
 total of seven rever  
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 Inc. is pleased to rep  
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 Silver Standard for a  
 warrants are subject  
 Vancouver, B.C. — Si  
 \$14.80 per unit for  
 share purchase war  
 for a period of two.  
 Program Expanded

### Annual General Meeting of Shareholders

The annual general meeting of shareholders of the company will take place at 2:00 p.m. on Tuesday, June 15, 2004 in the Atkins Room at the Terminal City Club, 837 West Hastings Street in Vancouver, British Columbia.

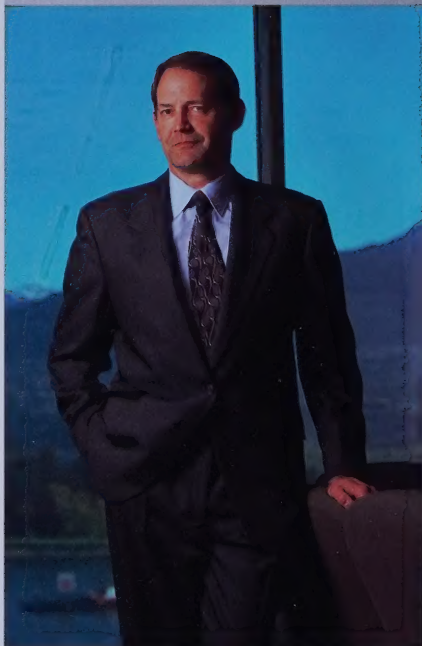


Thu Aug 7, 2003 Silver Standard Acquires 100% Interest In Challacollo Project News Release Mon May 12, 2003 Silver Standard  
on Australia Mon Feb 23, 2004 Silver Standard Expands Cordon Colorado And Intersects New Zone At La Pitarrilla In Mexico  
Colorado And Intersects New Zone At La Pitarrilla In Mexico Vancouver, B.C. -- Silver Standard Resources Inc. is pleased to report  
phase III drill holes at its wholly-owned La Pitarrilla project located approximately 150 kilometers north of Durango in west  
extension holes reported here all intersected silver mineralization in the Cordon Colorado zone, several with vertical thicknesses  
Silver Standard Defined Silver Resource At 123 Feet News Release  
ard Resources Inc. is pleased to report the definition of a second zone of silver mineralization at its wholly-owned La Pitarrilla  
approximately 150 kilometers north of Durango in west central Mexico. To date, the company has completed a total of seven  
a Dyke zone which is approximately 400 meters north of the Cordon Colorado discovery zone. These seven holes tested a...  
Mexico Continues To Expand Silver Resource At La Pitarrilla News Release 03-18 Vancouver, B.C.  
pleased to report further assay results from its wholly-owned La Pitarrilla silver discovery in the state of Durango, Mexico.  
1,876 meters that are reported here are infill and extension holes in the Cordon Colorado, one of three known silver zones  
has defined a silver mineralized area measuring approximately 300 meters by 300 meters (1,000 feet by 1,000 feet). Mon Jan 19, 2004  
on Private Placement To Raise \$43.7 Million In Private Placement News Release 03-18 Vancouver, B.C. -- Silver Standard Resources Inc. is pleased to report a private placement of a \$43,734,000  
2,955,000 units at a price of \$14.80 per unit. Each unit consists of one common share and one-half of one common share  
warrant is exercisable on payment of \$18.50 into one common share of Silver Standard for a period of two years from closing.  
any shares issued on exercise of warrants are subject... Mon Jan 12, 2004 Silver Standard To Raise \$43.7 Million In Private  
Vancouver, B.C. -- Silver Standard Resources Inc. is pleased to report a private placement of 2,955,000 units at a price of \$14.80  
\$60,000. Each unit consists of one common share and one-half of one common share purchase warrant. Each whole warrant  
converts into one common share of Silver Standard for a period of two... Mon Dec 8, 2003 Drilling At La Pitarrilla Intersects 5.1  
on Drilling Program Expanded News Release 03-18 Vancouver, B.C. -- Silver Standard Resources Inc. is pleased to report assay  
ongoing drill program at its wholly-owned La Pitarrilla silver discovery in Durango state, Mexico. These latest results show  
silver mineralization to the east of earlier drilling and have encouraged the company to initiate a third phase of drilling to be  
ditional drilling is expected to provide suff... Thu Nov 13, 2003 SILVER STANDARD INTERSECTS 3.8 OZ./TON SILVER OVER 257  
MEXICO Vancouver, B.C. -- Silver Standard Resources Inc. is pleased to report further excellent drill results from its wholly-  
located approximately 170 kilometers northwest of Durango, Mexico. The assay results are part of an initial 16-hole, 2,500-  
meter drilling at this new silver discovery and are being followed up with a further 1,000-meter program that is close to

**Silver Standard Resources Inc. is one of a few publicly-traded companies focused exclusively on the acquisition of silver-dominant projects. With one of the largest in-ground silver resources in the world, Silver Standard shares are an open-ended call option on silver price.**



## MESSAGE TO THE SHAREHOLDERS



ROBERT A. QUARTERMAIN PRESIDENT

### Dear Shareholder:

I am pleased to report to you on Silver Standard's activities in 2003, our 57th year.

As I write this report, our company has achieved significant milestones in its corporate history. In March of this year, our share price reached a record high of \$23.00 (US\$17.37), a 3.5-fold increase over our 2003 low of \$6.10 (US\$4.16). We have also increased owned and optioned silver resources to 404 million ounces of measured and indicated and 446 million ounces of inferred silver resources, a 32% increase over last year, giving us one of the highest silver resource bases of any publicly traded company. In addition, we have a strong treasury with over \$60 million in cash and \$9 million in marketable securities. Most importantly, we have seen silver prices exceed US\$8.00 per ounce for the first time in 17 years. All these factors together, have rewarded shareholders who, like management, believe in a sustainable improved silver price.

In 2003, we continued with our acquisition strategy. However, with strengthened precious and base metal prices, many projects that we were attempting to acquire were no longer available to us, as project owners decided to advance the projects independently. Notwithstanding this challenging market, we succeeded in acquiring Sunrise Lake and, more recently, the option to acquire the in-ground silver at Berenguella, adding an additional 83 million ounces of silver resources, in all categories, at prices accretive to shareholders.

In last year's annual report, we described the Pitarrilla project in two short paragraphs on page 19 of our report. This year, Pitarrilla, described on page 11, is a key project we are rapidly advancing because of the favorable results encountered to date. From our first drill hole results announced in November 2003 through to the writing of this report, we have drilled 97 holes on the property and defined a silver resource of over 50 million ounces in all categories. One of the highlights of this drill program was the intersection of high-grade, near-surface mineralization, including 46 ounces of silver per ton over 123 feet, in Peña Dyke. Pitarrilla represents an 8% increase in our resource base, and an additional one ounce of silver resource per share, all for pennies an ounce. This project demonstrates the flexibility of your management team in achieving continued accretive resource growth.

Our first objective over the last number of years was to create Silver Standard as a call option on silver prices. The graph on the inside front cover demonstrates, with startling clarity, our success in achieving this objective. Our second objective has been to control one billion ounces of silver resources in all categories. As of the writing of this report, we are 85% toward that objective, and we will continue to pursue it through acquisition and exploration. Our third objective has been to monetize our silver assets to the benefit of shareholders, and we are now prioritizing projects for profitable development dependent on silver prices. As we have achieved our primary objective, we will now focus our efforts on attaining our second and third objectives.



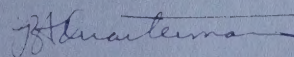
Silver Standard's success is a direct result of the company's team of professionals focused on opportunities to create shareholder value.

Over the last 24 months, in conjunction with my business travels, I have had the opportunity and privilege to meet over 800 of our shareholders at investment conferences and shareholder information meetings held in various cities throughout North America and Europe. The most recent meeting was in Phoenix, Arizona in February, where approximately 50 shareholders met to discuss silver and Silver Standard. Many of the questions asked at shareholders' meetings will form the second part of my report to shareholders in a question and answer format, which will allow me to impart management's views on a variety of topics. I trust shareholders will see from my report that we have been consistent both in the delivery of our message and the realization of our objectives.

Shareholders who have been stakeholders in the company for many years know that Silver Standard's success is a direct result of the company's team of professionals focused on opportunities to create shareholder value. As you may imagine, I find it a pleasure and a privilege to come to work each day at Silver Standard and work with your management team. We, the Board of Directors and management, recognize our responsibility as stewards of shareholders' assets, and we will continue to focus our efforts on preserving and enhancing shareholder value.

I want to personally thank our shareholders for trusting in the management team to achieve our goal of becoming the "silver standard". We are now seeing fruition and reward for staying the course. I thank our staff at Silver Standard for their contribution, and all stakeholders in the company for the successes we have achieved to date.

On behalf of the Board,



**Robert A. Quartermain**  
President  
April 21, 2004

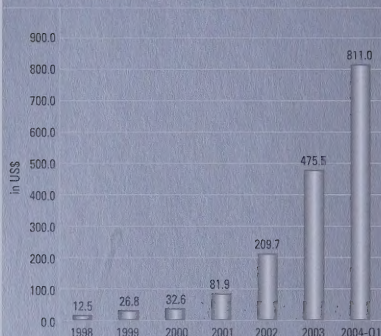


*Silver Standard's management team, left to right: Joe Ovsenek, Ken McNaughton, Paul LaFontaine, Bob Quartermain, Max Holtby, Linda Sue and Ross Mitchell*

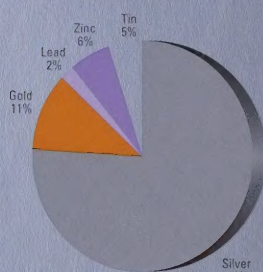


## QUESTIONS TO THE PRESIDENT

Growth in Market Capitalization

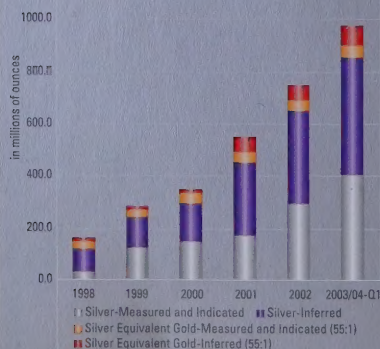


Exposure to Selected Commodities<sup>(1)</sup>



<sup>(1)</sup> Based on resources at current metal prices

Growth in Silver and Gold Resources



### Q1 Describe the company's growth in 2003

Silver Standard grew in two specific areas in 2003: silver resources and working capital. With the drilling of Pitarrilla and Maverick Springs, the addition of Sunrise Lake and, more recently, the option to acquire the in-ground silver at Berenguela, we added approximately 205 million ounces of resources in all categories since our last annual report. We exercised the Challacollo option in August and now have 13 projects under direct ownership and two under option. On a per share basis, shareholders have more exposure to silver than a year ago. We also participated in a private placement of shares of Esperanza Silver Corporation to expand our exposure to silver exploration potential. In addition, our efforts in 2003 rewarded us with the completion of a \$43.7 million private financing in early January 2004, and we now have in excess of \$60 million in our treasury.

### Q2 What are the company's most advanced projects?

The company is focused on four priority projects: Manantial Espejo, Bowdens, Pitarrilla and Pirquitas. We are in feasibility with Pan American Silver at Manantial Espejo, in feasibility at Bowdens, advancing Pitarrilla to feasibility and, along with our partners, Elliott International, L.P. and The Liverpool Limited Partnership, examining our options at Pirquitas. Besides these four key projects, we are advancing Berenguela and Maverick Springs by resource drilling, and Shafter and Challacollo by scoping studies.

### Q3 With renewed interest in precious metals, can you still acquire projects at your historical average cost of US\$0.04 per ounce?

With the renewed interest in precious metals, there is increased competition for silver projects with defined resources. As a consequence, we may have to raise our purchase price from historical lows of US\$0.04 to US\$0.05 per ounce to remain competitive. We purchased our interest in

Pirquitas for US\$0.06 per ounce and have an option on the silver at Berenguela at up to US\$0.07 per ounce. In this way, we can acquire ounces that provide accretive value and leverage for shareholders.

### Q4 What are your project criteria?

First, a project should be dominantly silver (i.e., over 50% of the metal value in silver). Second, the resource should be drilled sufficiently to show continuity of mineralization and demonstrate an inferred resource of at least 20 million ounces, with potential to increase that number. Third, the project should have preliminary metallurgic work to demonstrate that the silver is commercially recoverable. Finally, surface and water rights must be available for acquisition and the environmental risks must be quantifiable and manageable.

### Q5 What are your annual administration costs?

Our annual expenses have two components: direct office administration expenses; and fees, taxes and work commitments related to project costs. Our office administration expenses averaged \$1.8 million over the last three years, exclusive of non-recurring and stock-based compensation charges. This is low for a company with our market capitalization. Our practice is to limit administration expenses to necessary costs in order to maximize the expenditure of shareholder money on project acquisitions and development. As we increase the tempo of our activities with a higher silver price, we expect our administration costs to rise incrementally.

The option payments, land taxes, canon payments, site security, insurance and other costs necessary to preserve our investment in all our projects costs approximately US\$2 million per year or less than US\$0.003 per resource ounce. With our strong balance sheet, we have sufficient cash for many years of administration and land costs.



**Q6 What do you see as your first development project?**

We are currently working with Pan American Silver on the feasibility study for Manantial Espejo, which is expected to be completed in late 2004/early 2005. Depending on the feasibility study results, project permitting and construction could occur through 2005, with a possible start-up in 2006. At Pirquitas, we are revisiting the feasibility study and identifying smaller, higher-grade areas that could be in production ahead of a larger open-pit operation. These studies will be on-going this year. At Bowdens, we expect to complete the feasibility study in 2004/2005 and, depending on results, permitting, financing and construction would follow. At Pitarrilla, we are optimizing preliminary metallurgy and, following optimization, will be able to fast-track this project. We continue to review existing private mining operations and would only acquire production that is accretive to shareholders.

**Q7 How much do management and directors own of the company?**

As a 57 year-old company, directors and employees, like shareholders, have purchased their shares at market prices or by exercise of stock options issued at market prices. As a result, management and directors collectively own under 1% of the company, while the rest is held by our 25,000 retail investors, who own approximately 85% of the company, and our institutional shareholders, who own approximately 14% of the company.

**Q8 What is your policy on stock options?**

Stock options are a way to complement salary and provide additional incentive to employees. Over the past years, we have used stock options to assist our growth strategy. We recognize the sensitivity that shareholders have to options and, as a result, our stock options represent only four percent of issued capital, low by industry standards.

**Q9 What is your policy on hedging?**

Investors purchase shares in Silver Standard because the shares represent a call option on silver prices. In order to maintain our shareholders' exposure to silver price increases, we must maintain a no-hedging policy. When we do bring a project to production, the project's financiers may require us to sell forward production to cover the debt facility. We will minimize any hedge exposure to shareholders for such financing requirements.

**Q10 How do you distinguish yourselves from other silver-focused companies?**

One of the key distinguishing features between Silver Standard and its peers is the portfolio of quality projects we have available for development. Since 1994, we have focused exclusively on silver and have been able to acquire 15 projects, many of which have been past producers. As a result, we have an excellent group of projects that can be developed with an increase in silver price. The capital costs for many projects are manageable with our balance sheet enabling us to develop them on our schedule. We have one of the best exposures to silver of any publicly traded company, with our projects in different geographic and political areas to diversify risk.

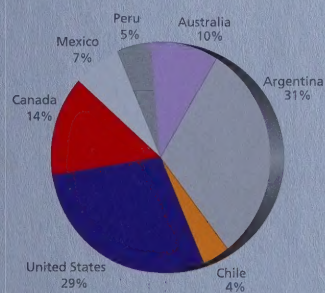
**Q11 What are you excited about?**

In last year's annual report, I used the word "discovery". That represents the prospect of growing the company through discovery on our own projects. At Pitarrilla and San Agustin, a million dollars in total expenditures has been able to deliver solid value to shareholders. Developing these assets to grow the company, and enhance shareholder value, will now be exciting for all of us.

**Growth in Gold Resources**



**Geographic Distribution of Assets<sup>(1)</sup>**



<sup>(1)</sup> Based on resources

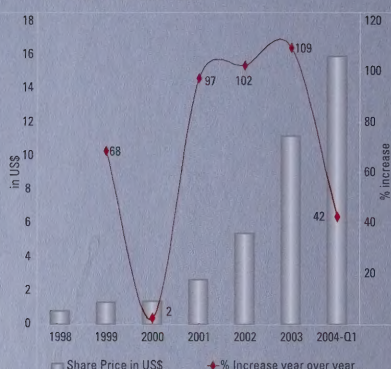
**Per Share Silver and Silver-Equivalent Gold Resources**



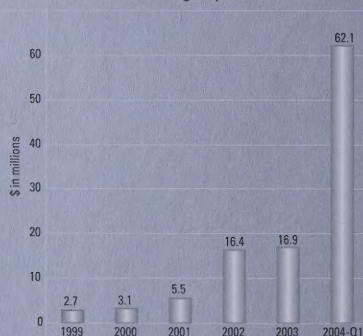


## STRATEGY—PAST AND FUTURE

Growth in Share Price



Growth in Working Capital



### Past: 1994 – 2003

In mid-1993, silver had been in a supply deficit for three years as mine production and scrap recycling were unable to meet demand. It was our belief that silver, like all commodities, would be cyclical in its price, and that as inventories were depleted to meet the supply deficit, the price would rise. With the support of an initial few shareholders, we raised \$2 million in 1994 and with a market capitalization of \$5 million, commenced acquisition of silver-dominant projects.

Since that time, silver prices have remained largely flat and many individuals have been critical of our contrarian strategy as a result of their bearish sentiment towards silver. For those of you who have been shareholders since 1994, our contrarian view has required your patience. With the recent move of silver to over US \$8.00 per ounce, its highest level in 17 years, our strategy has been justified. From a shareholder point of view, looking at the last four years commencing January 2000, our shares have appreciated from a low of US\$1.34 per share to a high of US\$17.37 for a four-year return of 1,200%. Since January 2001, we have enjoyed a 727% return, from January 2002 a 289% return, and from January 2003 a 95% return. Even this year, since January 2004, our shareholders have seen a return of up to 56% on their investment. Our strategy has been successful.

### Future: 2004 and beyond

From an October 9, 2003 low to the April 2, 2004 high of US\$8.29, the price of silver increased 72% and, as a result, we have increased the tempo of our activities on our projects. Our objective through 2004, in addition to further acquisitions and exploration activities, will be to prioritize our projects and establish a development scenario. Under this scenario, we envision our most profitable projects being brought to production first, which will in turn pay for future development of our other projects. Otherwise, with the 15 projects we now have under control, it would be highly dilutive to shareholders if we were to finance the development of these projects simultaneously.

In addition to organic growth on our existing projects and accretive growth through resource additions, we can enhance shareholder value through the monetization of our assets in a variety of other ways, for instance:

- (1) by bringing in joint venture partners to take on financing risk; and
- (2) if appropriate, by selling non-core assets for a substantial gain and using those monies to develop core projects.

Accordingly, we will now prioritize our projects for development or other forms of monetization to maximize returns for shareholders.

I want to assure shareholders that we will advance our projects with the attention and discipline we have demonstrated to date, in enhancing shareholder value.



## PROJECTS

### Project

#### Feasibility:

- 1 Manantial Espejo
- 2 Bowdens
- 3 Pirquitas

#### Advanced - Pre-feasibility and Scoping:

- 4 Pitarrilla
- 5 Shafter
- 6 Challacollo
- 7 Diablillos
- 8 Candelaria

#### Exploration:

- 9 Berenguela
- 10 Maverick Springs
- 11 San Marcial
- 12 San Agustin
- 13 Sunrise Lake
- 14 Silvertip
- 15 Sulphurets
- 16 Durango Generative
- 17 Chubut Generative
- 18 Chile Generative
- 19 Juncal
- 20 La Flora
- 21 Cachinal

Silver Standard owns or has a under option a portfolio of 15 projects at different stages of development, enabling the company to take advantage of, and to grow with, an improving silver price.







# MANANTIAL ESPEJO, SANTA CRUZ, ARGENTINA

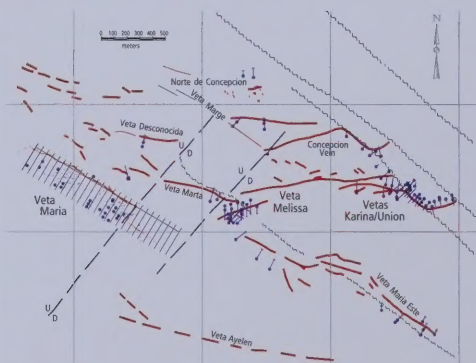
## RESOURCE SUMMARY

| Category               | SSRI<br>% Interest | Short Tons<br>in millions | Silver<br>in g/t | Gold<br>in g/t | Silver in<br>ounces per ton | Gold in<br>ounces per ton | SSRI Silver<br>oz. in millions | SSRI Gold<br>oz. in thousands |
|------------------------|--------------------|---------------------------|------------------|----------------|-----------------------------|---------------------------|--------------------------------|-------------------------------|
| Measured and Indicated | 50.0               | 4.84                      | 263.8            | 4.5            | 7.69                        | 0.13                      | 18.6                           | 320                           |
| Inferred               | 50.0               | 1.76                      | 258.5            | 3.7            | 7.54                        | 0.11                      | 6.6                            | 95                            |

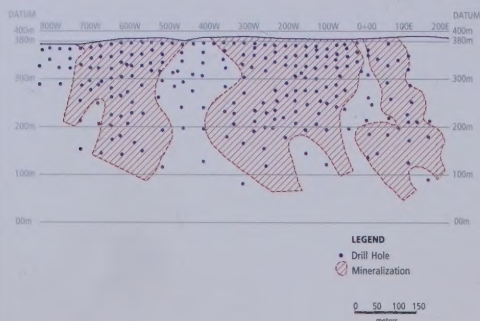


View of drill looking south from Veta Maria.

## VEINS AND RECENT DRILLING



## MARIA VEIN



## Location

Manantial Espejo is a 50%/50% joint venture between Silver Standard and Pan American Silver Corp., with Pan American currently the operator. The property is located in Santa Cruz province in southern Argentina, 160 kilometers (100 miles) by road west of Puerto San Julian. The property consists of 17 separate claims covering 257 square kilometers (99 square miles). The project is accessible by an all-weather road, and the partners are acquiring the surface rights covering the identified mineralization.

## Geology

The project area is underlain by a Jurassic intermediate felsic volcanic sedimentary sequence with the economic mineralization hosted in high-angle, low-sulphidization quartz veins which cut all lithologies. The mineralization occurs over a 300 meter vertical extent within more brittle massive rhyodacite flows and tuffs. Gold normally occurs as electrum and silver in argentite, acanthite and other sulfosalts.

## Metallurgy

The pre-feasibility study completed by Kilborn Engineering in 1998, included metallurgical test work that demonstrated recoveries of silver in excess of 80% and gold in excess of 95% were achievable, and that doré bars could be produced on-site.

## Previous Work

Since 1980, in excess of US\$18 million has been spent on exploration and pre-feasibility studies, which include 55,449 meters of drilling in 508 holes that has outlined four ore veins; Maria, Melissa, Union-Karina and Concepcion. In 2003, the joint venture completed in-fill drilling, geotechnical drilling and, from that program, are defining a mineable resource that will be incorporated in a feasibility study, which is currently in progress. Based on the feasibility study, the partners will determine whether or not it will be necessary to undertake an exploration decline to access ore at depth.

## Project Scope

To date, the partners are examining the feasibility of processing mineralization from Manantial Espejo. With the current resources, assuming a 1,500 ton per day mining operation, this should be sufficient for a 10-year+ mine life producing 4.0 million ounces of silver and 70,000 ounces of gold per year. The feasibility study will be undertaken through 2004.



## BOWDENS PROJECT, NEW SOUTH WALES, AUSTRALIA

## RESOURCE SUMMARY

| Category               | SSRI<br>% Interest | Short Tons<br>in millions | Silver<br>in g/t | Silver in<br>ounces per ton | Lead<br>(in %) | Zinc<br>(in %) | SSRI Silver<br>oz. in millions |
|------------------------|--------------------|---------------------------|------------------|-----------------------------|----------------|----------------|--------------------------------|
| Measured and Indicated | 100.0              | 52.46                     | 51.9             | 1.51                        | 0.30           | 0.41           | 79.5                           |
| Inferred               | 100.0              | 14.77                     | 40.9             | 1.19                        | 0.21           | 0.32           | 17.6                           |

## Location

The Bowdens silver project, owned 100% by Silver Standard, subject to a 2% to 1% sliding royalty, is located 200 kilometers (125 miles) northeast of Sydney, Australia. It is readily accessible by road; a major power line is close by; there are coal mines operating in the area; a knowledgeable labor force lives nearby; and the company owns the surface rights covering the mineralization and the proposed mine infrastructure. The property consists of a single exploration tenement covering 379 square kilometers (146 square miles) of favorable geology.

## Geology

The silver mineralization is hosted in a Permian flat-lying felsic volcanic sequence consisting of rhyodacite ignimbrites with tuffs and lesser flows. The mineralization appears to favor the contact between a porous tuff and impermeable ignimbrite. The low sulphidization epithermal system has minor lead and zinc with the silver occurring in galena, sphalerite, argentite and percite.

## Metallurgy

Metallurgical test work carried out by the company demonstrates that SAG milling, followed by a conventional flotation circuit would provide optimum recoveries. A silver-rich lead concentrate and a zinc concentrate with lesser silver could be produced on-site and exported for silver recovery. Metallurgical test work indicates recoveries are expected to average 88% silver, 92% lead and 65% zinc from an 8,000 ton-per-day open pit operation.

## Drilling

To date, 409 holes totaling 44,391 meters have been completed and are sufficient to calculate a measured and indicated resource which, with a feasibility study and depending on metal prices, can be converted to a reserve. Feasibility level studies are currently underway and these will facilitate the permitting process, enabling the project to be developed.

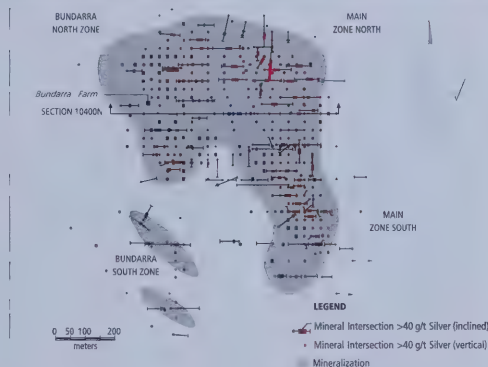
## Project Scope

Independent scoping studies suggest the deposit can be mined at a rate of 2 million tons per year, producing 4.5 million ounces of silver, along with 4,750 tons of lead and 4,500 tons of zinc. At current metal prices, silver represents 70% of the value of the project. In 2004, the company will continue with a feasibility study for Bowdens.

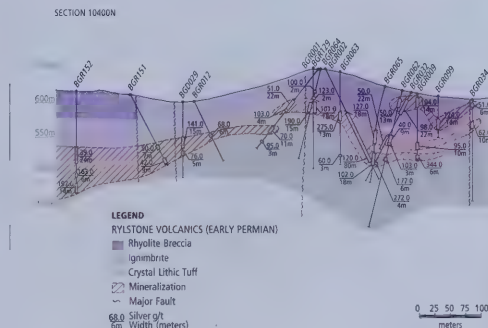


Drilling at Bowdens Main Zone North.

## BOWDENS DEPOSIT



## SECTION 10400N







## PIRQUITAS PROJECT, JUJUY PROVINCE, ARGENTINA

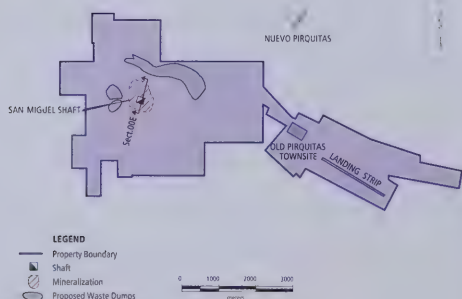
### RESOURCE SUMMARY

| Category               | SSRI<br>% Interest | Short Tons<br>in millions | Silver<br>in g/t | Silver in<br>ounces per ton | Zinc<br>(in %) | Tin<br>(in %) | SSRI Silver<br>oz. in millions |
|------------------------|--------------------|---------------------------|------------------|-----------------------------|----------------|---------------|--------------------------------|
| Measured and Indicated | 43.4               | 37.86                     | 140.6            | 4.10                        | 0.55           | 0.15          | 67.4                           |

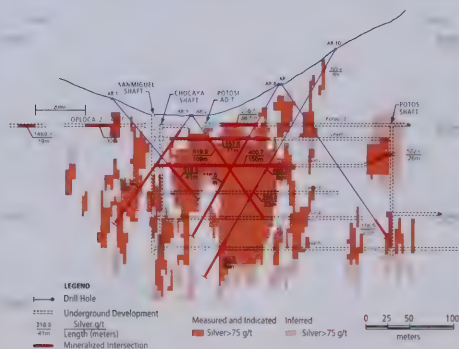


Looking north to Potosi Vein.

### PROJECT OVERVIEW



### SECTION 00E



### Location

Pirquitas is located in northern Argentina in Jujuy province. The property is accessible by an all-weather road and is at an elevation of 4,100 meters. All of the surface and mining rights are owned by Sunshine Argentina, Inc., with only provincial royalties payable. Sunshine Argentina is 43.4% owned by Silver Standard and 56.6% by Elliott International, L.P. and The Liverpool Limited Partnership. Silver Standard is the operator.

### Geology

The property is underlain by sediments comprised of shales, sandstones and greywackes, with minor areas of conglomerate. The sediments are folded and in the area of the mineralized zone form an east-plunging, gently-folded anticline. The main mineralized veins run parallel to the hinge of the anticline and infill tension joints related to brittle deformation. The silver occurs as silver sulfides and sulfosalts. Potential for expansion of known mineralization is considered excellent.

### Metallurgy

Extensive metallurgical test work has been carried out at Pirquitas establishing recoveries of 76% for silver and 57% for tin.

### Previous work

The Pirquitas deposit was discovered in 1930. Between 1933 and 1990, some 25 million ounces of silver was mined from underground silver and tin ore. Sunshine Mining and Refining Company purchased the property in an auction in 1998 and undertook a US\$25 million feasibility study, which included extensive surface drilling and underground sampling. Sunshine also purchased all of the surface rights and obtained all the permits necessary for production.

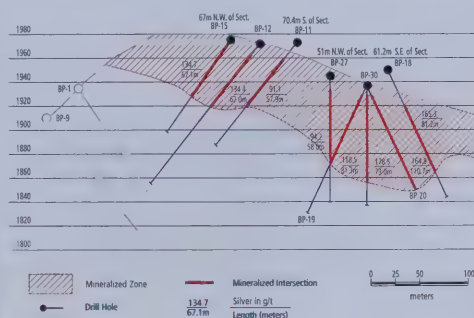
### Project Scope

Based on Sunshine's feasibility study completed by Jacobs Engineering in 1999 and 2000, the mineralization would be mined at a rate of 9,600 tonnes of ore per day with a 5.4:1 stripping ratio. This would produce 11 million ounces of silver and 32 tonnes of tin per annum. The feasibility evaluation showed that prices in excess of \$5.50 per ounce of silver were necessary for a profitable operation. With the recent move up in silver prices, the company, along with its joint venture partners, are revisiting the feasibility study. In addition, the partners are looking at small-scale mining of some of the higher grade outlying areas peripheral to the main body of mineralization.





| Category               | SSRI % Interest | Short Tons in millions | Silver in g/t | Silver in ounces per ton | SSRI Silver oz. in millions |
|------------------------|-----------------|------------------------|---------------|--------------------------|-----------------------------|
| Measured and Indicated | 100.0           | 11.35                  | 124.2         | 3.62                     | 41.1                        |
| Inferred               | 100.0           | 3.75                   | 120.3         | 3.51                     | 13.2                        |







## SHAFTER PROJECT, TEXAS

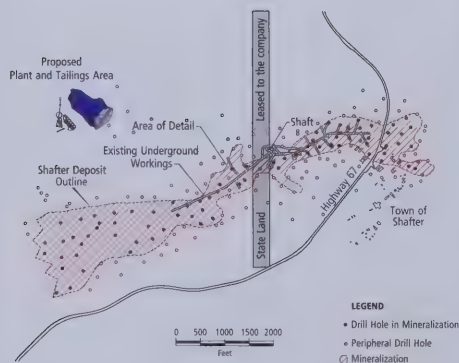
### RESOURCE SUMMARY

| Category               | SSRI<br>% Interest | Short Tons<br>in millions | Silver<br>in g/t | Silver in<br>ounces per ton | SSRI Silver<br>oz. in millions |
|------------------------|--------------------|---------------------------|------------------|-----------------------------|--------------------------------|
| Measured and Indicated | 100.0              | 2.09                      | 363.4            | 10.60                       | 21.0                           |
| Inferred               | 100.0              | 1.57                      | 439.9            | 12.83                       | 20.2                           |

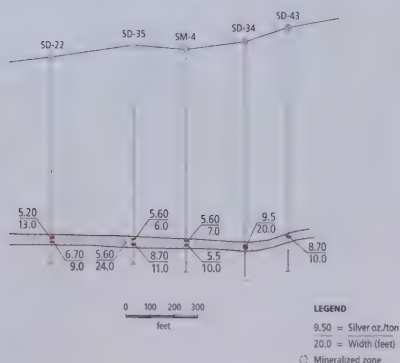


Head frame at Shafter.

### COMPILATION MAP



### SECTION DETAIL



### Location

Shafter is located in the Trans-Pecos region of southwest Texas, 18 miles north of Presidio in Presidio County. Access and infrastructure are close with Highway 67 and a major power line crossing the property.

### Geology

Silver mineralization (with minor lead, zinc and gold) at Shafter and the historic Presidio mine is hosted by the Mina Grande Formation limestone, a Permian reef formation, over approximately a three-mile length. The deposit is similar to the great carbonate-hosted silver deposits of northern Mexico and may be a northern extension of those silver deposits.

### Metallurgy

Considerable test work done by previous owners indicates the highest recoveries for silver will be by in-tank leaching followed by production of a silver-gold doré using the Merrill Crowe process. Historic silver recoveries at the Presidio mine were 86% to 87% and are expected to be similar at Shafter.

### Previous Work

Silver at Shafter, first discovered in 1880, was mined in the Presidio mine until 1942. From 2.3 million tons of ore, 35 million ounces of silver were recovered.

In 1977, Gold Fields Mining discovered the Shafter deposit, the eastern extension of the Presidio mine and spent approximately US\$20 million on project development. Gold Fields, Amax and Rio Grande Mining drilled 262,473 feet in 891 drill holes, sunk a 1,052-foot shaft and completed 5,100 feet of underground development.

In 2003, the company completed transport of a used 800 ton-per-day mill to Shafter and acquired the last of the permits to commence production.

### Plans

A scoping study, by Kappes, Cassiday & Associates, begun last year will be completed and more diamond drilling will be undertaken. Gold Fields reported improved silver grades of 15%, over drill intercept grades, as a result of its underground program. Drilling planned for 2004 is aimed at improving core recovery in areas of previous low core recovery and in-fill holes between previously wide spaced holes. Feasibility studies are anticipated following drilling.

### Project Scope

Based upon the scoping study, Shafter would be mined at the rate of 324,000 tons per year to initially produce 3.2 million ounces of silver per year. Silver production would average 2.6 million ounces over the seven-year mine life.



## CHALLACOLLO, NORTHERN CHILE

## RESOURCE SUMMARY

| Category               | SSRI<br>% Interest | Short Tons<br>in millions | Silver<br>in g/t | Silver in<br>ounces per ton | SSRI Silver<br>oz. in millions |
|------------------------|--------------------|---------------------------|------------------|-----------------------------|--------------------------------|
| Measured and Indicated | 100.0              | 3.74                      | 170.6            | 4.98                        | 18.6                           |
| Inferred               | 100.0              | 5.04                      | 160.7            | 4.69                        | 23.6                           |

**Location**

Challacollo is located 130 kilometers (80 miles) southeast of Iquique, a major port in northern Chile. Access is good with the Pan American Highway passing 30 kilometers west of the property. A main power grid is located 15 kilometers from the property.

**Geology**

Four major quartz stockwork veins found on the property are considered low-sulphidation, multi-phase vein systems. Exploration activities have concentrated on theOLON Vein, a steeply dipping vein, cutting rhyolites and dacites. TheOLON vein commonly averages 20 meters in width and is up to 40 meters wide. Silver occurs primarily in sulfosalt minerals freibergite, pyrrargyrite and proustite, with less common silver bearing sulphides argentite and acanthite.

**Metallurgy**

Preliminary metallurgical test work suggests the best recoveries for silver will be by conventional milling followed by cyanidation. Silver recoveries of greater than 90% are expected.

**Previous Work**

In 1770, Challacollo was considered the largest silver deposit in Chile. Silver production records from 1772 to 1990 are poor but production is estimated to be greater than 600,000 ounces.

Modern exploration, beginning in 1993, by previous operators and Silver Standard, includes geological and geophysical studies, sampling of underground workings, reverse circulation drilling and diamond drilling with 8,993 meters drilled in 55 holes by the company.

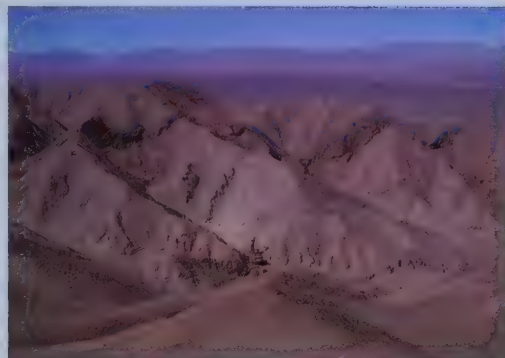
Preliminary metallurgical test work has also been conducted by Silver Standard and a scoping study is underway.

**Plans**

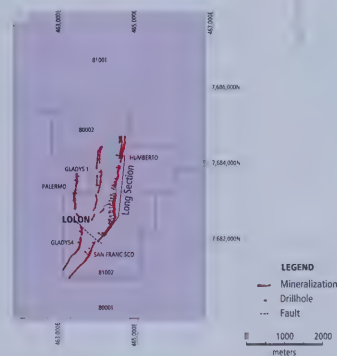
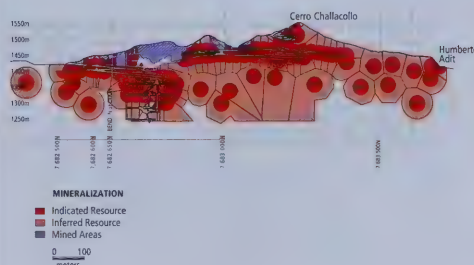
A scoping study, by Kappes, Cassiday & Associates, begun last year will be completed. Following the scoping study, a feasibility study is anticipated. Further metallurgical test work will be undertaken to optimize recoveries both for milling and heap leach production options.

**Project Scope**

Initial results of the scoping study, by Kappes, Cassiday & Associates, suggest Challacollo would be mined at the rate of 325,000 tonnes per year to produce 3.1 million ounces of silver and 3,200 ounces of gold per year over a 10-year mine life.



Drilling theOLON Vein, view looking east.

**PROPERTY MAP****POLYGONAL RESOURCE**

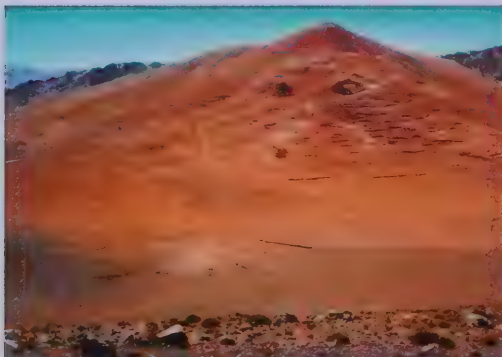




## DIABILLOS, SALTA PROVINCE, ARGENTINA

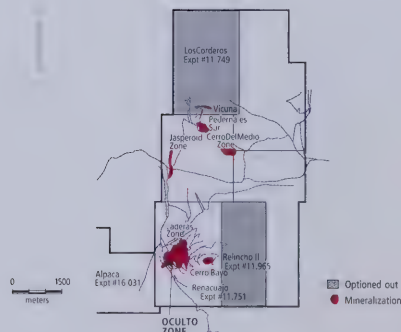
### RESOURCE SUMMARY

| Category | SSRI<br>% Interest | Short Tons<br>in millions | Silver<br>in g/t | Gold<br>in g/t | Silver in<br>ounces per ton | Gold in<br>ounces per ton | SSRI Silver<br>oz. in millions | SSRI Gold<br>oz. in thousands |
|----------|--------------------|---------------------------|------------------|----------------|-----------------------------|---------------------------|--------------------------------|-------------------------------|
| Inferred | 100.0              | 46.27                     | 69.5             | 1.0            | 2.03                        | 0.03                      | 93.8                           | 820                           |

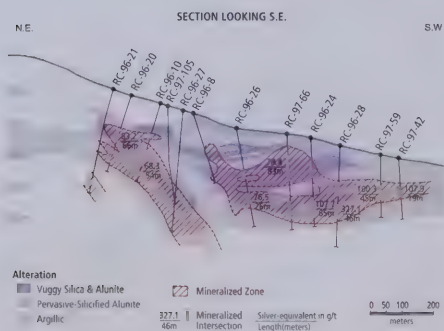


View of the Oculito Zone looking east.

### PROPERTY MAP



### LONGITUDINAL SECTION



### Location

Diablillos is located 160 kilometers (100 miles) southwest of Salta on the Altiplano of northern Argentina. The property is road accessible.

### Geology

The property is underlain by Late Miocene calc-alkaline volcanics and porphyry-style intrusions that overlie Ordovician to Cambrian schists and gneisses. The Oculito Zone deposit is an epithermal system at the intersection of the north-south Diablillos – Cerro Galen fault zone and northwest trending Cerro Ratones Lineament chain of volcanoes. Silver and minor gold mineralization occurs as sulfosalts in quartz breccia veins cutting andesites.

### Metallurgy

Metallurgical test work undertaken for Barrick Gold Corporation by Lakefield Research found that the most appropriate process for silver and gold recoveries would be crushing and milling followed by cyanidation. For a majority of samples subjected to test work recoveries were above 75% for silver and up to 85% for gold.

### Previous Work

Discovered in the 1970's but primarily explored from 1988 to 2001 by BHP Utah, Pacific Rim Mining and Barrick Gold Corp. Total expenditures by previous operators are in excess of US \$17 million. In 2003 Silver Standard drilled 3,046 meters in 20 holes, chiefly to test geophysical anomalies. Hole DAR 03-16, in the Oculito Zone, intersected 28 meters grading 587 g/t silver and 64 meters grading 88.2 g/t silver with 1.65 g/t gold. Hole DAR 03-17, also in the Oculito Zone, intersected 26 meters grading 199.6 g/t silver with 1.86 g/t gold and eight meters grading 37.7 g/t silver with 1.81 g/t gold.

### Plans

With the current increase in metal prices the project will require a re-examination of the engineering.

### Project Scope

Studies by previous operators indicate that Diablillos will require capital expenditures in excess of US\$130 million for an open pit mine operating at 2 million to 2.5 million tonnes per year, producing six million ounces of silver per year.



# CANDELARIA MINE, NEVADA

## RESOURCE SUMMARY

| Category               | SSRI % Interest | Short Tons in millions | Silver in g/t | Gold in g/t | Silver in ounces per ton | Gold ounces per ton | SSRI Silver oz. in millions | SSRI Gold oz. in thousands |
|------------------------|-----------------|------------------------|---------------|-------------|--------------------------|---------------------|-----------------------------|----------------------------|
| Measured and Indicated | 100.0           | 13.62                  | 110.7         | tr          | 3.23                     | tr                  | 44.1                        | 40                         |
| Inferred               | 100.0           | 55.68                  | 51.1          | tr          | 1.49                     | tr                  | 82.8                        | 10                         |

## Location

Candelaria is located in Mineral and Esmeralda Counties of west central Nevada, 55 miles southeast of Hawthorne and 60 miles northwest of Tonopah. Access is good with a paved road extending off Highway 95 to the mine gate. Critical infrastructure - power lines and water supply installed during previous operations - are maintained for future use.

## Geology

The silver deposits at Candelaria originally formed a continuous, tabular-shaped zone with approximate dimensions of 20,000 feet in length, 2,500 feet in width and thicknesses of three feet to over 100 feet. The mineralization was deposited in regional thrust faults, principally the Lower Candelaria Shear. Later faulting disrupted the continuous zone into structural blocks hosting the current deposits.

All the measured and indicated resources exist as in-situ material beneath the Diablo and Northern Belle pits and 60% of inferred resources exist in the leach pads and low-grade stockpiles.

## Metallurgy

Test work and historical production on leach pads indicates approximately 50% of the silver is recoverable by leaching. Test work by the company suggests a process of milling followed by flotation, roasting and leaching will yield a 75% recovery of silver.

## Previous Work

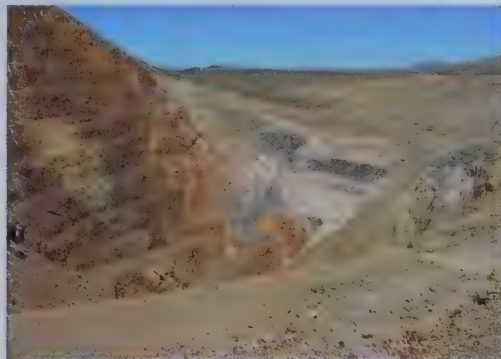
Originally discovered in 1863, Candelaria was intermittently mined by underground methods from discovery to the mid-1960's. Open pit mining began in the late 1970's and ceased in 1999. Silver production totaled about 68 million ounces. Exploration by Kinross Gold Corporation, the former owner, has outlined the Diablo and Northern Belle resources in 358,050 feet of drilling in 771 holes.

## Plans

The property is maintained in good standing as are all permits and reclamation bonding. Work continues to decrease bonding obligations while the mine waits for higher silver prices.

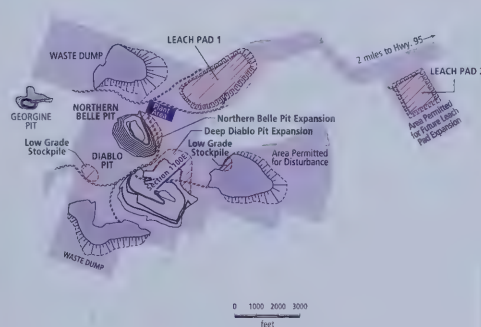
## Project Scope

A scoping study by prepared by Kappes, Cassiday & Associates in January 2000 suggests the project could be advanced as a milling operation followed by leaching operation, at two million tons per year, once appropriate silver prices are achieved.

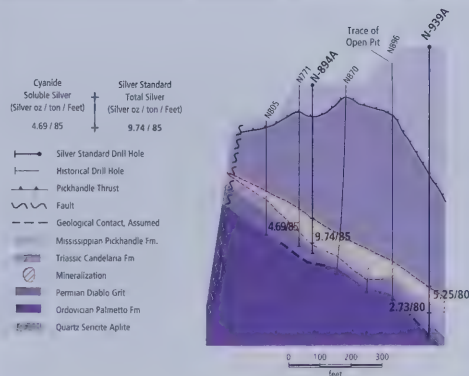


View looking west across Northern Belle pit.

## MINE SITE



## DIABLO ZONE SECTION 1100E







## BERENGUELA, PERU

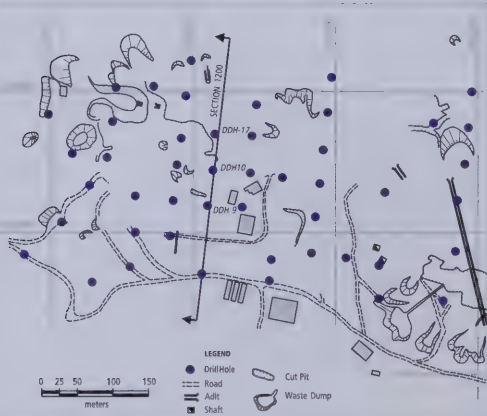
### RESOURCE SUMMARY

| Category | SSRI<br>% Interest    | Short Tons<br>in millions | Silver<br>in g/t | Silver in<br>ounces per ton | SSRI Silver<br>oz. in millions |
|----------|-----------------------|---------------------------|------------------|-----------------------------|--------------------------------|
| Inferred | 100% Option on silver | 15.43                     | 125.0            | 3.65                        | 56.3                           |

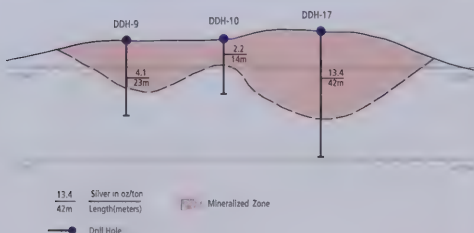


View of Berenguela mineralized zone.

### COMPILATION MAP



### SECTION 1200



### Location

Berenguela is located 50 kilometers west of Juliaco on the Altiplano of southern Peru. Access is good with a major paved highway adjacent to the property. A main-line railway passes within five kilometers of the property.

### Geology

The deposit is conformable to bedding in a folded dolomitic limestone. It was formed as a replacement of limestone where hydrothermal solutions deposited hydrated iron and manganese oxides with silver, copper and minor zinc. The deposit, a body 500 meters wide, 1500 meters long and 60 meters thick, is located at surface. Bulk sampling by Asarco in the 1960's averaged 27% manganese oxide, 201 g/t silver and 1.61% copper.

### Metallurgy

Kappes, Cassiday & Associates has developed a process of conventional crushing followed by leaching with sulfuric acid and sulfur dioxide. Manganese, copper and silver are then recovered in separate final procedures. Test work on a bulk sample of ore recovered greater than 90% of all three components.

### Previous Work

The deposit was mined for 60 years from 1905 by a British firm. A total of 500,000 tonnes averaging 750 g/t silver produced 12 million ounces of silver. Extensive exploration in the 1960's by Asarco and Charter Consolidated Mining comprised channel sampling of 17,700 meters of underground workings, bulk sampling and diamond drilling of 6,628 meters in 108 holes. In the 1990's, Kappes, Cassiday & Associates bulk sampled, developed metallurgical processes to optimize metal recovery and conducted pre-feasibility studies.

### Plans

Our immediate plans are to conduct an extensive drilling program and produce a resource estimate in accordance with Canada's National Instrument 43-101.

### Project Scope

Current studies by Kappes, Cassiday & Associates suggest a 700,000 tonne per year operation with a 20-year mine life. Silver production is projected at 5.9 million ounces per year.



## MAVERICK SPRINGS, NEVADA

## RESOURCE SUMMARY

| Category               | SSRI % Interest       | Short Tons in millions | Silver in g/t | Silver in ounces per ton | SSRI Silver oz. in millions |
|------------------------|-----------------------|------------------------|---------------|--------------------------|-----------------------------|
| Measured and Indicated | 100% Option on silver | 69.63                  | 34.3          | 1.00                     | 69.6                        |
| Inferred               | 100% Option on silver | 85.55                  | 34.3          | 1.00                     | 85.6                        |

**Location**

Maverick Springs is located in northeast Nevada, about half-way between Elko and Ely, at the southeast end of the Carlin Trend belt of gold-silver deposits. Access is by a 25-mile gravel road from the town of Ruby Valley.

**Geology**

The silver-gold mineralization occurs as a Carlin-type, sediment/carbonate-hosted disseminated deposit, in Permian Rib Hill Formation calcareous and siliciclastic sediments. The mineralization forms an arch-shaped zone of about 8,000 feet in length, with a width of 2,500 feet and a thickness of approximately 200 feet. Mineralization is open to the south and north-northwest.

**Metallurgy**

Preliminary test work of the mineralization indicates a process of milling with cyanide leaching will yield recoveries of 63% to 97% for silver.

**Previous Work**

The property was first staked in 1986 by Artemis Exploration Company. Vista Gold Corp. acquired a lease on the property in December 2001 and subsequently formed a joint venture with the company in 2002. Silver Standard will own the silver resource while Vista Gold will own the gold resource. A total of 159 holes have been drilled on the property, including 16 by the joint venture in 2003.

**Plans**

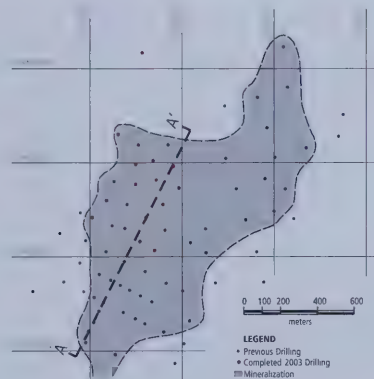
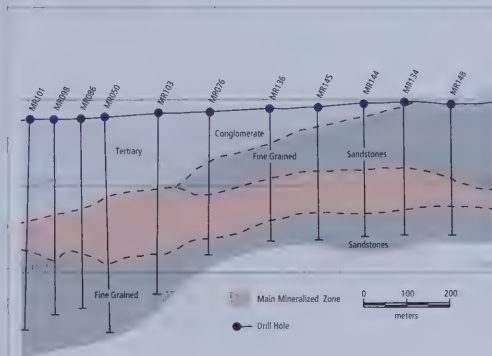
Plans are to continue drilling to increase the resource, carry out further metallurgical studies to refine a recovery process and improve silver recoveries, and complete a scoping study to define the project economics.

**Project Scope**

Drilling in 2003 has improved the resource, and mineralization in holes 1,450 feet northwest and 2,000 feet south of the current resource body indicates good potential for further improvements to the resource. Maverick Springs hosts a large silver-rich system that may be amenable to low unit cost bulk mining, similar to other Carlin-type deposits.



Drilling of main mineralized zone.

**DRILL HOLE PLAN****SECTION A-A**





## SAN AGUSTIN, MEXICO

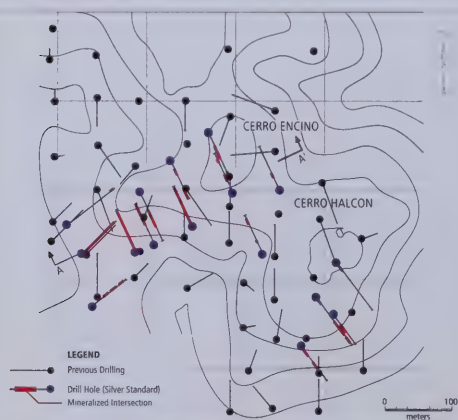
### RESOURCE SUMMARY

| Category | Short Tons in millions | Silver in g/t | Gold in g/t | Silver in ounces per ton | Gold in ounces per ton | SSRI Silver oz. in millions | SSRI Gold oz. in thousands |
|----------|------------------------|---------------|-------------|--------------------------|------------------------|-----------------------------|----------------------------|
| Inferred | 12.36                  | 12.9          | 1.0         | 0.38                     | 0.03                   | 4.6                         | 347                        |

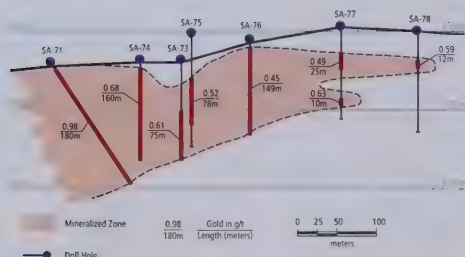


Drilling Cerro Encino.

### DRILL HOLE MAP



### SECTION A-A



### Location

San Agustín is a gold-silver project owned 100% by the company, located 85 kilometers north of Durango City in the State of Durango. Infrastructure is close by and paved Highway 45 passes 10 kilometers east of the property.

### Geology

The local geology consists of a dacite volcanic dome complex resting on fine-grained siltstones and sandstones. Blocks of the sediment are locally interbedded with volcanics. The entire package was structurally brecciated and mineralized with gold and silver. Surface oxidation averages 20 meters to 30 meters in depth. Significant gold values include 1.23 grams per tonne over 108 meters, which was intersected in hole 71.

### Previous work

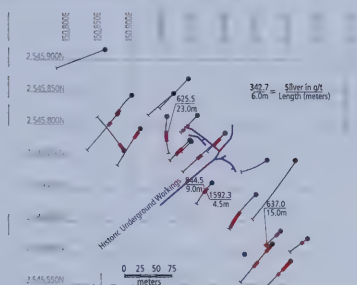
In 1997 and 1998, Monarch Resources completed mapping, soil sampling and 69 drill holes totalling 10,400 meters outlining the San Agustín gold-mineralization. Silver Standard acquired the property in 2003 by staking and immediately began detailed surface sampling of the known mineralization. This was followed up with a recently completed reverse circulation drill program which totalled 3,890 meters in 24 holes. The results of this program have been used to calculate a preliminary resource.

### Plans

Additional drilling will be undertaken in 2004 and thereafter a revised resource calculation will be completed, along with preliminary metallurgical studies. These will be necessary to undertake a preliminary engineering scoping study.



The property is located in the Sierra Madre mountains, 56 miles (90 kilometers) east of Mazatlan in Mexico, in geology similar to that hosting Pan American's Alamo Dorado project. To date, drilling has outlined three parallel structures that extend over 1,475 feet (450 meters) in length and are open in all directions. The company exercised its option and acquired this property. The property has bulk tonnage as well as high-grade potential. The company is examining some of the higher grade areas for commercial extraction.

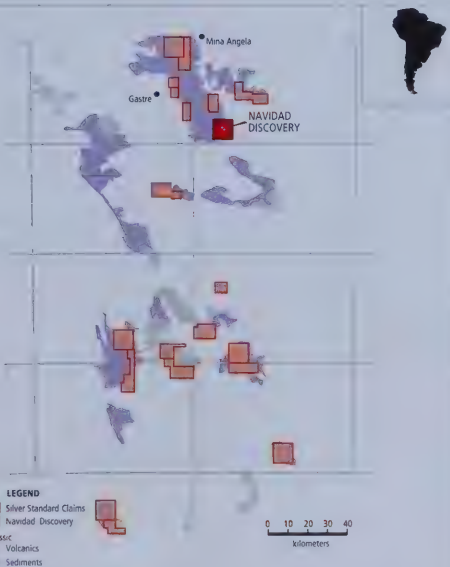


Based on the company's success at La Pitarrilla, Silver Standard has acquired five additional silver properties in northern Mexico: La Valenciana, El Mogote, Gonzales Ortega, Miguel Auza and San Rafael. These properties, all owned by the company, lie within the central Mexican silver or Parral-Zacatecas belt, which extends from Parral in Chihuahua in the north to Zacatecas in the south. The belt is 600 kilometers (375 miles) long by 150 kilometers (approximately 90 miles) wide. Within this belt occur numerous gold-silver occurrences and mines including the prolific Fresnillo Mine, the world's largest primary silver mine.

Silver and silver-gold mineralization along the Parral-Zacatecas belt occurs as high-grade epithermal veins or sediment-hosted replacement bodies disseminated in felsic geologic environments, all generally associated with Tertiary age intrusives. Silver Standard's properties are mainly in epithermal vein and hot spring environments or manto and chimney replacements in carbonate environments. Exploration will be undertaken on these projects in 2004.

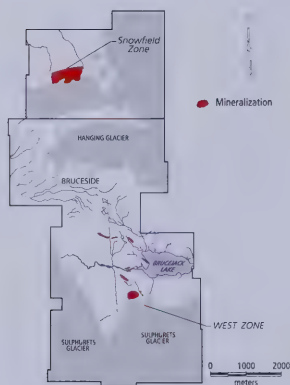


The company has staked 19 catego (claims) totalling 136,000 hectares (525 square miles) in Chubut province in southern Argentina. These claims, owned 100% by Silver Standard, cover prospective ground underlain by Jurassic calcareous sediments and intermediate volcanics similar to those on the Navidad silver discovery. Preliminary prospecting has been carried out on some of these claims and further work is planned in 2004. With Silver Standard's focus on more mature projects, some of these claims will be made available for joint venture exploration.





## OTHER EXPLORATION PROJECTS

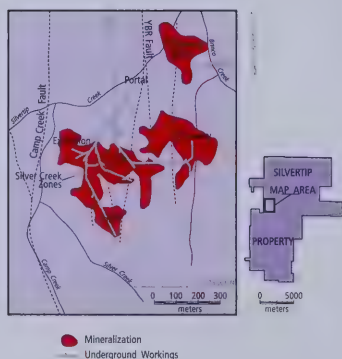


## SULPHURETS, BRITISH COLUMBIA

This high-grade, gold-silver project is located in northern British Columbia and has had over \$40 million spent since 1986 on its exploration and development. Work included 78,300 meters of surface and underground diamond drilling, 5,275 meters (3.3 miles) of underground development and completion of a feasibility study for a 350 ton/day operation.

The West Zone is the location of eight steeply-dipping veins containing silver-gold mineralization, some of which are up to 40 meters (130 feet) in width. The Sulphurets project is an advanced project suitable for development dependent on silver prices.

As a gold-dominant project located in northern British Columbia, Sulphurets is not core to Silver Standard, and we are seeking ways to monetize our purchase of this asset and redeploy the capital in other silver-dominant projects.

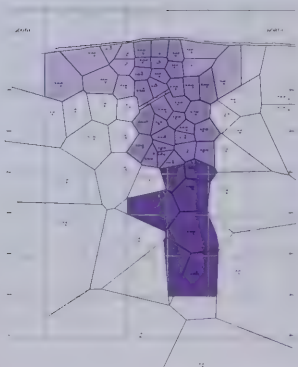


## SILVERTIP, BRITISH COLUMBIA

This project, located in northern British Columbia approximately 50 miles (85 kilometers) southwest of Watson Lake, Yukon Territory, hosts a significant silver resource within a high-grade, base metal-dominant manto deposit.

Exploration work to date has included 71,472 meters of drilling in 491 holes and 2.67 kilometers of underground development. Expenditures on the property have exceeded \$23 million but, similar to other company acquisitions, Silver Standard's cost was a small percentage of past investment.

The property is 100%-owned, subject to a 5% net profit royalty on some non-core claims. Silvertip is among the highest grade carbonate replacement deposits in North America with combined grades of 17% lead-zinc and exploration potential is considered to be very good. Silver Standard plans to hold the property on a care and maintenance basis pending higher base metal and silver prices.



## SUNRISE LAKE, NORTHWEST TERRITORIES

This property, located in the Northwest Territories some 130 kilometers (81 miles) northeast of Yellowknife, hosts silver-gold and base metal mineralization outlined by 21,774 meters of surface diamond drilling since discovery in 1987. The Sunrise Lake deposit is a typical volcanogenic massive sulphide deposit comprising a steeply dipping massive lens three to four meters thick, 120 meters wide and 190 meters long. Underlying the massive mineralization is lower grade disseminated mineralization up to about 50 meters thick.

The property is 100%-owned, subject to a 5% net profits royalty. Exploration potential is considered good.

## RESOURCE SUMMARY

### Resource Calculation

Silver Standard currently owns or controls through option agreements 15 projects on three continents that together contain:

- measured and indicated silver resources totalling 403.6 million ounces;
- inferred resources totalling 446.4 million ounces;
- measured and indicated gold resources totalling 840 thousand ounces; and
- inferred gold resources totalling 1.4 million ounces.

### Resources

Finding silver metal and quantifying its extent in the ground is a challenge, yet geologists and mining professionals have developed techniques of sampling and drilling to determine the extent and grade of in-ground mineralization. Although no company knows precisely what is in the ground until it is mined, geoscientists can make projections within a few percent of the actual in-ground mineralization based

on physical and scientific data. The Society of Economic Geologists, the Canadian Institute of Mining and Metallurgy, the Australian Institute of Mining and Metallurgy and other professional bodies have developed standard techniques and nomenclature so that silver resources located anywhere in the world can be described and compared with a level of certainty.

Silver Standard employs two professional geoscientists and a geological engineer on its board of directors. To ensure transparency and provide independent third party verification, pursuant to Canada's National Instrument 43-101 which deals with the classification of resources, all of the company's projects have been reviewed by independent

Qualified Persons. With new acquisitions and additional project drilling in 2003 and 2004, the total measured, indicated and inferred figures have increased from previous years.

The Qualified Person(s) for each of our projects is named below the table.

## RESOURCES/MINERALIZED MATERIAL SUMMARY

| Property                   | Resource Category    | SSRI % interest | Short Tons in millions | Silver in g/t | Gold in g/t | Silver in oz./ ton | Gold in oz./ ton | By-products in % |      |      | SSRI Silver oz. in millions | SSRI Gold oz. in thousands |
|----------------------------|----------------------|-----------------|------------------------|---------------|-------------|--------------------|------------------|------------------|------|------|-----------------------------|----------------------------|
|                            |                      |                 |                        |               |             |                    |                  | Lead             | Zinc | Tin  |                             |                            |
| Manantial Espejo           | Measured & Indicated | 50.0            | 4.84                   | 263.8         | 4.5         | 7.69               | 0.13             |                  |      |      | 18.6                        | 320                        |
|                            | Inferred             |                 | 1.76                   | 258.5         | 3.7         | 7.54               | 0.11             |                  |      |      | 6.6                         | 95                         |
| Bowdens                    | Measured & Indicated | 100.0           | 52.46                  | 51.9          |             | 1.51               |                  | 0.30             | 0.41 |      | 79.5                        |                            |
|                            | Inferred             |                 | 14.77                  | 40.9          |             | 1.19               |                  | 0.21             | 0.32 |      | 17.6                        |                            |
| Pirquitas                  | Measured & Indicated | 43.4            | 37.86                  | 140.6         |             | 4.10               |                  |                  | 0.55 | 0.15 | 67.4                        |                            |
| Pitarilla                  | Measured & Indicated | 100.0           | 11.35                  | 124.2         |             | 3.62               |                  |                  |      |      | 41.1                        |                            |
|                            | Inferred             |                 | 3.75                   | 120.3         |             | 3.51               |                  |                  |      |      | 13.2                        |                            |
| Berenguela                 | Inferred             | Option          | 15.43                  | 125.0         |             | 3.65               |                  |                  |      |      | 56.3                        |                            |
| Shafter                    | Measured & Indicated | 100.0           | 2.09                   | 363.4         |             | 10.60              |                  |                  |      |      | 21.0                        |                            |
|                            | Inferred             |                 | 1.57                   | 439.9         |             | 12.83              |                  |                  |      |      | 20.2                        |                            |
| Challacollo                | Indicated            | 100.0           | 3.74                   | 170.6         |             | 4.98               |                  |                  |      |      | 18.6                        |                            |
|                            | Inferred             |                 | 5.04                   | 160.7         |             | 4.69               |                  |                  |      |      | 23.6                        |                            |
| Diablillos                 | Inferred             | 100.0           | 46.27                  | 69.5          | 1.0         | 2.03               | 0.03             |                  |      |      | 93.8                        | 820                        |
| Candelaria                 | Measured & Indicated | 100.0           | 13.62                  | 110.7         | tr          | 3.23               | tr               |                  |      |      | 44.1                        | 40                         |
|                            | Inferred             |                 | 55.68                  | 51.1          | tr          | 1.49               | tr               |                  |      |      | 82.8                        | 10                         |
| Maverick Springs           | Indicated            | Option          | 69.63                  | 34.3          |             | 1.00               |                  |                  |      |      | 69.6                        |                            |
|                            | Inferred             |                 | 85.55                  | 34.3          |             | 1.00               |                  |                  |      |      | 85.6                        |                            |
| San Marcial                | Inferred             | 100.0           | 2.55                   | 191.8         |             | 5.59               |                  | 0.32             | 0.7  |      | 14.3                        |                            |
| San Agustin                | Inferred             | 100.0           | 12.36                  | 12.9          | 1.0         | 0.38               | 0.03             |                  |      |      | 4.6                         | 347                        |
| Silvertip                  | Indicated            | 100.0           | 1.12                   | 378.0         | 0.9         | 11.00              | 0.02             | 7.7              | 9.5  |      | 13.6                        | 30                         |
|                            | Inferred             |                 | 1.45                   | 284.0         | 0.5         | 8.30               | 0.01             | 5.4              | 8.3  |      | 13.2                        | 20                         |
| Sunrise Lake               | Indicated            | 100.0           | 1.68                   | 262.0         | 0.7         | 7.64               | 0.01             | 2.4              | 6.0  |      | 12.8                        | 30                         |
|                            | Inferred             |                 | 2.82                   | 169.0         | 0.5         | 4.93               | 0.01             | 1.9              | 4.4  |      | 13.9                        | 40                         |
| Sulphurets                 | Measured & Indicated | 100.0           | 1.14                   | 517.7         | 12.7        | 15.10              | 0.37             |                  |      |      | 17.2                        | 420                        |
|                            | Inferred             |                 | 0.15                   | 171.4         | 18.6        | 5.00               | 0.54             |                  |      |      | 0.8                         | 80                         |
| Total Measured & Indicated |                      |                 |                        |               |             |                    |                  |                  |      |      | 403.6                       | 840.0                      |
| Total Inferred             |                      |                 |                        |               |             |                    |                  |                  |      |      | 446.4                       | 1412.0                     |

This table conforms to National Instrument 43-101 and Companion Policy 43-101CP with resource categories conforming to definitions adopted on August 20, 2000 by the Canadian Institute of Mining, Metallurgy and Petroleum.

Resources tabulated above were prepared by independent Qualified Persons: C. Stewart Wallis, P.Geo. (Manantial Espejo and Bowdens); Steve Ristorcelli, P.Geo. (Pirquitas); James A. McCrea, P.Geo. (La Pitarilla and San Agustin); Steve Ristorcelli, P.Geo., and Peter Ronning, P.Eng. (Diablillos); Mark G. Stevens, P.G. (Candelaria); C. Stewart Wallis, P.G., P.Geo., and David W. Rennie, P.Eng. (Challacollo); C. Stewart Wallis, P.G., P.Geo., Robert T. McKnight, P.Eng., and David R. Budinski, P.Geo. (Sulphurets); John W. Rozelle, P.G. (Shafter); C. Stewart Wallis, P.G., P.Geo., and Nathan Eric Fier, C.P.G. (San Marcial); Steven J. Blower, P.Geo. (Silvertip); Neil R. Burns, P.Geo. (Maverick Springs); W.E. Roscoe, Ph.D., P.Eng. and C. Stewart Wallis, P.G., P.Geo. (Sunrise Lake). Berenguela: Based on a

mineable ore reserve estimated in the 1960's by Charter Consolidated Mining Co. prior to the adoption of NI 43-101. Under NI 43-101, the mineable reserve would be classified as a mineral resource.

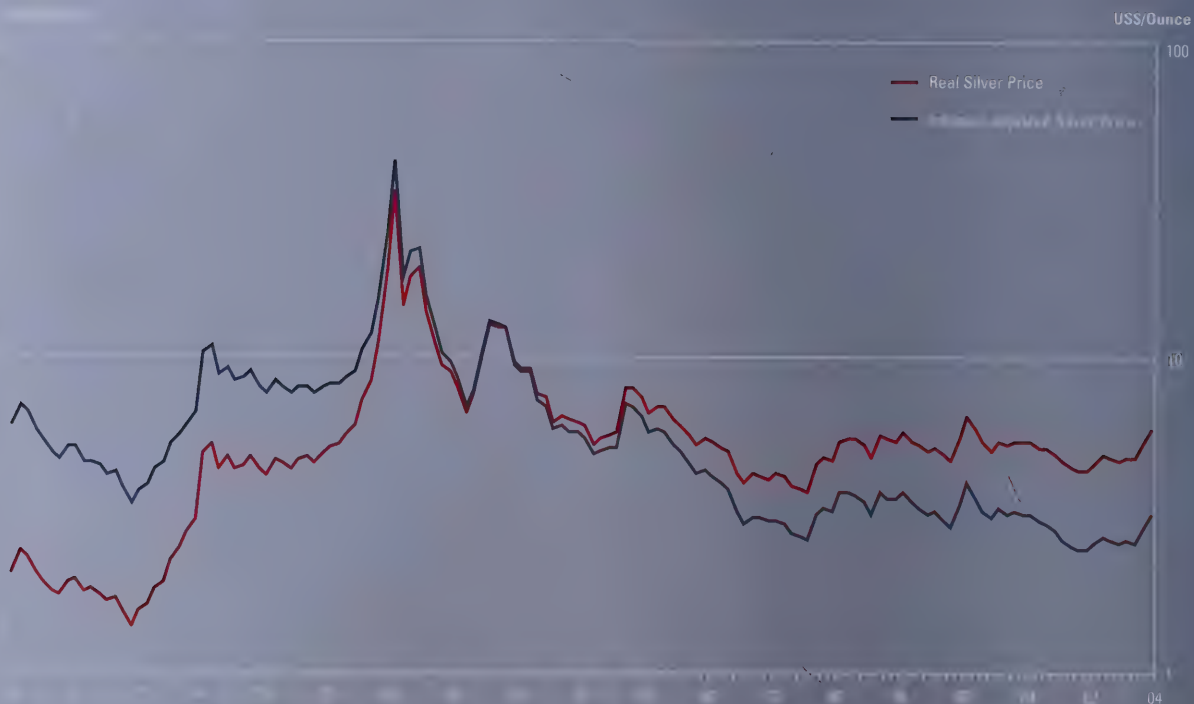
**Cut-offs:** Manantial Espejo: 165 g/t silver-equivalent. Bowdens: 40 g/t silver-equivalent (silver-equivalent = 88% silver + 92% lead/321+ 65% zinc/169). Pirquitas: 30 g/t silver, including jig tails. La Pitarilla: 40 g/t silver. Diablillos: 42 g/t silver and 0.7 g/t gold. Shafter: 5.0 oz./ton silver. Sulphurets: 0.20 oz./ton gold, 55:1 silver:gold ratio. Candelaria: lode resources 0.5 oz/ton soluble silver. Maverick Springs: 1.0 oz./ton silver-equivalent. Silver Standard controls 100% of contained silver resources and Vista Gold Corporation controls 100% of contained gold resources. San Agustin: 0.5 g/t gold. Challacollo: 50 g/t silver. San Marcial: 30 g/t silver. Sunrise Lake: 30 g/t silver. Silvertip: 0.0 g/t silver.

**Cautionary note** to U.S. Investors concerning disclosure of estimates of measured, indicated and inferred mineral resources: The terms "measured mineral resource", "indicated mineral resource" and "inferred mineral resource" used in this Annual Report are Canadian geological and mining terms as defined in accordance with National Instrument 43-101, Standards of Disclosure for Mineral Projects under the guidelines set out in the Canadian Institute of Mining, Metallurgy and Petroleum (the "CIM") Standards on Mineral Resources and Mineral Reserves, adopted by the CIM Council on August 20, 2000 as may be amended from time to time by the CIM. We advise U.S. investors that while such terms are recognized and required under Canadian regulations, the U.S. Securities

and Exchange Commission (the "SEC") does not recognize them. U.S. investors are cautioned not to assume that any part or all of the mineral deposits in the "measured mineral resource" and "indicated mineral resource" categories will ever be converted into reserves. "Inferred mineral resources" have a great amount of uncertainty as to their existence, and great uncertainty as to their economic and legal feasibility. It cannot be assumed that all or any part of an inferred mineral resource will ever be upgraded to a higher category. Under Canadian rules estimates of inferred mineral resources may not form the basis of feasibility or other economic studies. U.S. investors are cautioned not to assume that any part or all of an inferred mineral resource exists, or is economically or legally mineable.



Real Silver Prices, 1968 – 2004 Basis = 1982



### Unique Characteristics:

- Photosensitive
- Reflective
- Ductile
- Biocidal
- Thermally conductive
- Best electrical conductor

### Uses:

- Photography
- Jewelry
- Silverware and decorative objects
- Water purification
- Electrical contacts and connectors
- Coinage
- Silver plating
- Bearings
- Solders
- Batteries
- Mirrors
- Chemical catalysts
- Chemical process applications
- Burn treatments
- Dental alloys and amalgams
- Investment products

### New Uses:

- Superconductors
- Anti-fouling paints
- Electronics
- Bactericides
- Wood preservatives

## Silver Market Update

In 2003, silver demand exceeded supply by approximately 34 million ounces. This is the fifteenth consecutive year of supply deficit. Over this period, nearly 1.8 billion ounces of silver have been drawn from reported and undisclosed inventories to make up the shortfall.

This consistent supply deficit is a characteristic unique to silver and one that reinforces our own belief in higher silver prices over time. Although silver consumption and this deficit varies year over year as a reflection of global economic conditions, the important point is that the market was again in deficit in 2003 and is projected to be in deficit in 2004. The data incorporated in the following discussion on silver is based on research from CPM Group of New York.

Silver demand in the first part of 2003 saw a reduction in industrial use worldwide. This factor, along with renewed interest in physical silver, shifted in a positive way in the second half of 2003 that continues into 2004.

Total demand declined 3.0% in 2003 to 761 million ounces of silver, with the decline more heavily weighted in the first half of the year. Photographic demand declined marginally to 249 million ounces in 2003, and jewelry and silverware consumed 261 million ounces. This is a combined reduction of 17 million ounces from 2002.

In early 2003, SARS in China significantly reduced travel in the country and related consumer photography. Digital cameras have made some inroads but increasing photographic use in x-rays and disposable cameras, and further growth in China and Asia, will continue to mute the digital influence. Photographic demand is expected to remain constant in 2004.

Demand remained strong for jewelry and silverware in Italy, Japan and the United States. Electronic demand last year was 104 million ounces, down slightly from the previous year due to the downturn in the electronics industries, specifically computers and cellular phones. Demand is reported to be sharply higher in the first quarter of 2004.

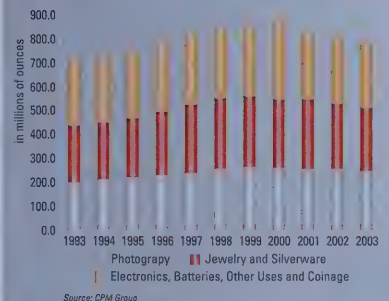
Other uses consumed about 140 million ounces as solders, bearings, chemical catalysts used to make the basic feedstock for polyethylene, mirrors, medicines, dental alloys, and other applications. Another 10 million ounces of silver were used in the making of silver bullion coins, which investors buy. These are counted separately from fabricated products, since they are 'bullion-like' and purchased for their silver content.

Overall supply in 2003 totalled approximately 727 million ounces. The largest component of supply was mine production at some 480 million ounces – down 3.2% from the 496 million ounces mined in 2002. Lower mine supply reflected reduced production from copper, lead, zinc and gold mines, which accounts for about 75% of mine supply of silver. With higher commodity prices in late 2003, mine production is expected to return to 2002 levels of 494 million ounces.

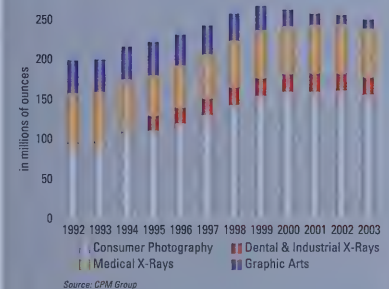
Secondary supply, which is largely scrap, comes from photographic recycling, silver coinage, and jewellery. These supplies totalled about 217 million ounces in 2003, up almost 10% from 2002. The 34 million-ounce deficit between supply and demand in 2003 was made up by silver sold from undisclosed inventories.

In the past, growing physical demand was keyed to improving industrial demand. Among potentially significant newer industrial applications, silver is now being used in superconductors in which silver coats the core wire. This silver sheath increases the efficiency of the superconductive wire, reducing the loss of power during transmission. There is evidence that use of superconductive wire grew more rapidly than expected in 2003 and further growth is anticipated in 2004. Use of silver in medical and health niche applications, such as band-aids, products to promote healing from skin burns, water purifiers and surgical instruments, continues to grow.

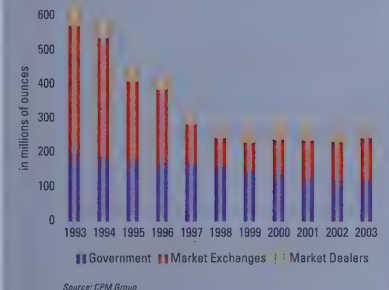
Trends in Silver Demand - 1993-2003



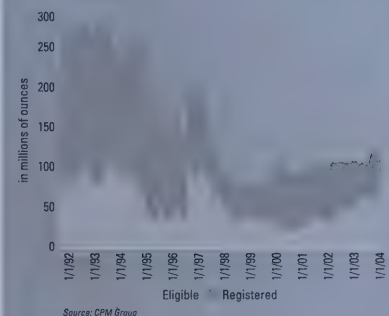
Silver in Photography



Reported and Unreported Silver Holdings



Comex Silver Stocks





## SILVER MARKET

Looking at 2004, CPM Group of New York, which undertakes research on silver and is supported in part by Silver Standard, is expecting that demand for silver will increase by 2.8% to 780 million ounces. The total supply of silver is expected to grow 1.2% to 736 million ounces, resulting in a deficit estimated at 46 million ounces. The assumptions behind these numbers are based on some tangible evidence: industrial expansion in the United States, Japan and China.

At the same time, according to CPM Group, holders of undisclosed silver inventories appear to be reducing sales that balanced supply and demand in recent years. This is partly due to a change in investor psychology. Investors are anticipating inflation and acquiring holdings of silver for investment purposes. Volumes for silver equities, and options and futures contracts are now noticeably higher than 2002.

CPM Group noted two interesting trends in the silver and paper markets since 2001. First, the volumes of silver futures and options being traded on organized exchanges have risen by 50%. Second, the volume of silver traded through the London-centred international bullion banking market has fallen by 70%. Futures and options volumes were as low as 15.9 billion ounces in 2001, but increased to 23.9 billion ounces in 2003. Meanwhile, the amount of silver cleared across London bullion clearing banks fell from 74.6 billion ounces in 1997 to 21.9 billion ounces in 2002, before recovering to 23.5 billion ounces in 2003.

CPM Group commented that "the drop in London bullion clearing volumes reflects the decline in proprietary trading in silver by banks and brokerage companies over the past six years, while the rise in futures and options activities reflects the increase in investor interest in silver, both on the part of large institutional investors and individual investors. Similarly contrasting trends have been seen in the volumes of gold cleared through London banks and gold futures and options trading, but the contrast in gold is not as stark as it is in silver." Volumes in both bullion and paper markets have increased in excess of 40% on an annualized basis so far in 2004 compared to 2003.

Finally, to provide additional perspective, some interesting statistics illustrate differences between silver and gold. At the current silver price of US\$6.42 per ounce, the value of all silver consumed in 2003, assuming demand of 760 million ounces, was US\$4.7 billion. On the other hand, gold production alone last year was approximately 2,600 tonnes or 85 million ounces with a total value of US\$34 billion based on US\$400 per ounce of gold. The market capitalizations of two well-known U.S. corporations, General Electric Co. and American International Group Inc., are

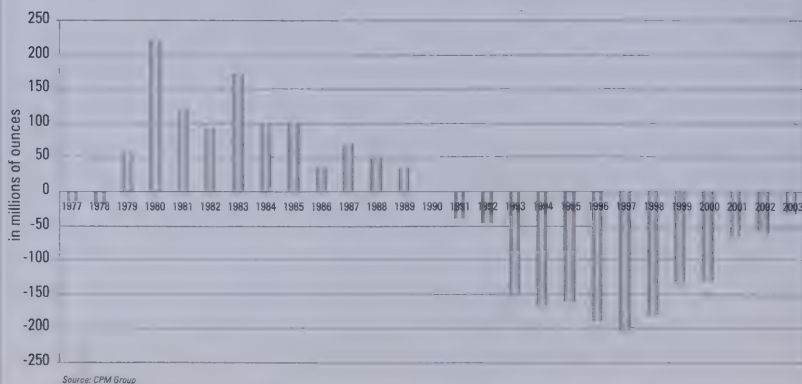
respectively US\$310 billion and US\$190 billion, many times the value of all gold consumed and orders of magnitude above all the silver consumed annually.

In essence, the silver market continues to be smaller, less liquid and does not receive the same level of attention or investor interest. The small profile of the primary silver producers and the lack of concentration of the industry underscores the opportunities for Silver Standard in the years ahead.

SILVER PRICES AND GOLD:SILVER RATIO



SILVER MARKET SURPLUS AND DEFICIT - 1977-2003



## FINANCIALS

Management Discussion and Analysis of  
Financial Condition and Financial Review

Management's Responsibility for Financial Reporting

Independent Auditors' Report

Consolidated Balance Sheets

Consolidated Statements of Loss and Deficit

Consolidated Statements of Cash Flows

Notes to Consolidated Financial Statements

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# MANAGEMENT DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND FINANCIAL REVIEW

Management's discussion and analysis ("MD&A") provides a detailed analysis of our business and compares our 2003 financial results with those of the previous two years. In order to better understand the MD&A, it should be read in conjunction with the consolidated financial statements and related notes. We prepare and file with various Canadian regulatory authorities our consolidated financial statements and MD&A in Canadian dollars and in accordance with Canadian generally accepted accounting principles ("GAAP"). Reference should be made to note 18 of the consolidated financial statements for a discussion of material measurement differences between Canadian and U.S. GAAP and their effect on the consolidated financial statements. Our Annual Information Form is filed on SEDAR at [www.sedar.com](http://www.sedar.com).

## 1. OVERVIEW

- The consolidated net loss for the year under Canadian GAAP was \$3,938,000 or \$0.10 per share compared to a loss of \$2,198,000 or \$0.06 per share in 2002 and a loss of \$3,377,000 or \$0.13 per share in 2001.
- In June 2003, we acquired a 100% interest in the Sunrise Lake deposit in Canada's Northwest Territories.
- In August 2003, we made the final option payment relating to the purchase of the Challacollo silver project in northern Chile and now own 100% of this property, subject to a net smelter returns royalty.
- During 2003, we raised a total of \$13,229,000 from the exercise of common stock warrants and options. In January 2004, we closed a private placement of 2,955,000 units at a price of \$14.80 per unit for gross proceeds of \$43,734,000.
- Cash flow from operations was a use of \$3,303,000 compared to uses of \$2,250,000 in 2002 and \$1,646,000 in 2001. Cash expenditures on mineral properties were \$9,833,000 in 2003 compared to \$12,519,000 in 2002 and \$7,216,000 in 2001. In 2003, the properties on which these expenditures were incurred included Challacollo (\$2,532,000), Bowdens (\$1,485,000), Manantial Espejo (\$830,000), Shafter (\$743,000), La Pitarrilla (\$677,000) and Maverick Springs (\$868,000). We ended the year with \$16,428,000 in cash and cash equivalents compared to \$17,342,000 in 2002 and \$5,577,000 in 2001.

### Critical accounting policies and changes in accounting policies

Our accounting policies are described in Note 2 to the consolidated financial statements.

#### *Use of estimates*

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures during the reporting period. Actual results could differ from those reported.

#### *Mineral property costs*

We record our interests in mineral properties at cost. The costs of acquiring mineral properties and related exploration and development expenditures are deferred and will be amortized against future production following commencement of commercial production or are written off if the properties are sold, allowed to lapse or abandoned. General exploration, overhead and administration costs are expensed in the period they are incurred.

Management of the company regularly reviews the net carrying value of each mineral property. Where information is available and conditions suggest impairment, estimated future net cash flows from each property are calculated using estimated future prices, proven and probable reserves, and operating capital and reclamation costs on an undiscounted basis. Reductions in the carrying value of each property would be recorded to the extent the net book value of the investment exceeds the estimated future cash flows. Where estimates of future net cash flows are not available and where other conditions suggest impairment, management assesses if carrying value can be recovered.

Management's estimates of mineral prices, recoverable proven and probable reserves, and operating, capital and reclamation costs are subject to certain risks and uncertainties that may affect the recoverability of mineral property costs. Although management has made its best estimate of these factors, it is possible that changes could occur in the near term that could adversely affect management's estimate of the net cash flows to be generated from its properties. We presently have no proven or probable reserves.

Option payments received are treated as a reduction of the carrying value of the related mineral property and deferred costs until the payments are in excess of costs incurred, at which time they are then credited to income.

#### *Provision for reclamation*

On January 1, 2003, we adopted a new standard of accounting for asset retirement obligations. A description of this policy and the impact it had on adoption is discussed in the Financial Results section which follows.

#### *Recently issued accounting policies*

The Canadian Institute of Chartered Accountants (CICA) has issued amendments to Section 3870 – "Stock-based Compensation and Other Stock-based Payments", which require an expense to be recognized in financial statements for all forms of employee stock-based compensation, including stock options. We will be required to adopt the standard on January 1, 2004, which will result in compensation expense on stock options granted to directors and employees, previously only disclosed on a pro forma basis, to be charged to earnings. Had we followed the fair value method for valuing stock options granted to directors and officers, an additional compensation cost of \$2,840,000 (2002 - \$1,664,000) would have been recorded in 2003.

## 2. FINANCIAL RESULTS

### 2003 Compared with 2002

#### Selected Financial Data

(expressed in thousands of Canadian dollars, except per share amounts)

|  | Q1        | Q2     | Q3     | Q4     | 2003<br>Year |           | Q1     | Q2     | Q3     | Q4     | 2002<br>Year |
|--|-----------|--------|--------|--------|--------------|-----------|--------|--------|--------|--------|--------------|
| Revenues                                   | \$ Nil    | Nil    | Nil    | Nil    | Nil          | \$ Nil    | Nil    | Nil    | Nil    | Nil    | Nil          |
| Loss                                       | \$ 1,087  | 1,140  | 429    | 1,282  | 3,938        | \$ 314    | 1,487  | 369    | * 28   | 2,198  |              |
| Basic and diluted loss<br>per common share | \$ 0.03   | 0.03   | 0.01   | 0.03   | 0.10         | \$ 0.01   | 0.04   | 0.01   | 0.00   | 0.06   |              |
| Total assets                               | \$ 74,279 | 74,435 | 77,772 | 85,213 | 85,213       | \$ 47,289 | 68,285 | 68,823 | 74,748 | 74,748 |              |
| Long-term<br>financial liabilities         | \$ 213    | 144    | 91     | 75     | 75           | \$ 136    | 129    | 135    | 249    | 249    |              |
| Cash dividends                             | \$ Nil    | Nil    | Nil    | Nil    | Nil          | \$ Nil    | Nil    | Nil    | Nil    | Nil    |              |

\*Investment gains of \$516,000 and foreign exchange gains of \$352,000 were recorded in the fourth quarter of 2002.

For the year ended December 31, 2003, we incurred a loss of \$3,938,000 or \$0.10 per share compared to a loss of \$2,198,000 or \$0.06 per share in 2002. The greater loss is due to a combination of lower investment income, a greater foreign exchange loss and cost increases in certain categories of expenditures. An analysis of the constituent parts of expenses follows:

| Exploration and mineral property costs: | 2003       | 2002      |
|---|------------|-----------|
| Property examination and exploration    | \$ 465,000 | \$279,000 |
| Mineral property costs written off      | -          | 53,000    |
| Reclamation                             | 507,000    | 420,000   |
|   | \$ 972,000 | \$752,000 |

With the increase in the price of both precious and base metals, the price of in-ground silver resource ounces available for acquisition increased. As an alternative, to create shareholder value, we increased our expenditures on grass roots exploration resulting in our success at La Pitarrilla and expansion of our activities in Mexico. We expense these costs until such time as a property is acquired. In 2003, exploration costs were \$465,000, representing a \$186,000 increase from the prior year. We incurred \$293,000 of our 2003 exploration costs in Mexico. In 2004, Mexico will continue to be the focus of a significant portion of our exploration efforts. We will also have exploration programs in Chile and Argentina.

In 2003, we did not abandon or write off any property costs. In 2002, the Bluey's property was written off at a cost of \$53,000.

On January 1, 2003, we adopted the new standard of accounting for asset retirement obligations which harmonizes with U.S. GAAP. The new standard requires the recognition of a liability for obligations associated with the retirement of fixed assets when the liability is incurred. A liability is recognized initially at fair value if a reasonable estimate of the fair value can be made, and the resulting amount is capitalized as part of the asset. The liability is accreted over time through periodic charges to earnings or mineral property costs. In subsequent periods, we adjust the carrying amounts of the asset and the liability for changes in estimates of the amount or timing of underlying future cash flows. The cumulative effect of the change through January 1, 2003, which was recorded in 2003, was to increase mineral property cost by \$17,000 and reclamation by \$21,000.

Reclamation expense for the year 2003 was \$507,000, compared to \$420,000 in 2002 for an increase of \$87,000 for the year.

| Expenses:                      | 2003         | 2002         |
|--------------------------------|--------------|--------------|
| Depreciation                   | \$ 30,000    | \$ 24,000    |
| General and administration     | 1,579,000    | 1,404,000    |
| Professional fees              | 143,000      | 153,000      |
| Salaries and employee benefits | 654,000      | 434,000      |
| Stock-based compensation       | 169,000      | 132,000      |
|                                | \$ 2,575,000 | \$ 2,147,000 |

Expenses were \$2,575,000 in 2003 compared to \$2,147,000 in 2002, an increase of \$428,000. The two areas contributing to the majority of the increase were in the areas of general and administration costs and salaries and employee benefits.

General and administrative costs increased \$175,000 in 2003 and were \$1,579,000 for the year. Insurance expense for the year increased \$67,000 during the year to \$205,000. Premium increases were the main reason for this additional expense and costs in this area are not expected to decline in the near future. Costs relating to shareholder relations, which includes costs associated with preparing our annual and quarterly reports and the mailing thereof, increased \$112,000 in the year to \$319,000. As our number of shareholders increased 25% over the past year, so did the costs of keeping our shareholders informed. The costs of preparing our annual and quarterly reports increased \$49,000 in 2003 with mailing costs increasing \$46,000 from \$86,000 to \$132,000. In 2003, the company incurred \$649,000 in the area of investor relations and this was comparable to 2002 costs. Greater costs were incurred relating to meetings with institutional investors and shareholders. Our president had a total of twelve meetings with shareholders in various U.S. cities in 2003. Offsetting these cost increases were lower costs in the areas of capital taxes and donations.

Professional fees were \$143,000 for 2003 compared to \$153,000 in 2002. Cost increases for accounting and audit services were more than offset by a \$49,000 reduction in the cost of legal services. In early 2003, the company hired in-house legal counsel, which resulted in a reduction in the use of external counsel.

Salaries and employee benefits for the year were \$654,000 compared to \$434,000 in 2002 – an increase of \$220,000. The two main reasons for the increase are the addition of the in-house legal counsel mentioned above and salary increases that took place at the beginning of 2003. Bonus payments for staff for 2003 were \$155,000 compared to \$101,000 in 2002.



The company granted 66,500 (2002 – 74,900) stock options to non-employees in 2003. The fair value of these options was \$187,000 (2002 – \$161,000), with the company expensing \$169,000 (2002 – \$132,000) of this assigned value and deferring \$18,000 (2002 – \$29,000) into mineral property costs.

| Other income (expenses):  | 2003         | 2002       |
|---|--------------|------------|
| Investment income   | \$ 379,000   | \$ 305,000 |
| (Loss) gain on sale of marketable securities and investment write-downs | (101,000)    | 544,000    |
| Fixed asset write-downs and loss on sale                                | -            | (19,000)   |
| Interest expense  | -            | (92,000)   |
| Foreign exchange gain (loss)  | (669,000)    | (37,000)   |
|   | \$ (391,000) | \$ 701,000 |

In 2003, we incurred net other expenses of \$391,000 compared to other income of \$701,000 in 2002. In 2003, we had investment income of \$379,000 compared to income of \$305,000 in the prior year. Lower short-term interest rates were more than offset by higher cash and investment balances. In 2002, we recorded gains on the sale of marketable securities of \$544,000. In 2003, we did not sell any of our marketable securities, but we did write-down \$101,000 of our investments. At December 31, 2003, we held marketable securities carried at a cost of \$1,457,000 with a market value of \$9,730,000. In 2002 we recorded interest of \$92,000 relating to interest on a convertible debenture obligation. There was no interest expense for 2003 as the debenture had been converted to common stock in late 2002. The foreign exchange loss for 2003 was \$669,000 compared to a loss of \$37,000 in 2002. The large increase in the loss for the year was a direct result of the impact that the strengthening Canadian dollar had on our U.S. cash and cash equivalent balances at the beginning of 2003. At December 31, 2002, we held US \$5,800,000, which had been received as subscriptions for our common stock. As we require U.S. dollars to meet our various property obligations, the funds were not converted to Canadian dollars. During 2003, the Canadian dollar appreciated 22% against the U.S. dollar, with the majority of this increase occurring by mid-year. Going forward, we have adopted a policy that will limit foreign exchange losses and gains.

#### 2002 Compared with 2001

For the year ended December 31, 2002, we incurred a loss of \$2,198,000 or \$0.06 per share compared to a loss of \$3,377,000 or \$0.13 per share in 2001. The lower loss is mainly a result of lower mineral property write-offs and gains on sales of marketable securities in 2002 offset by cost increases for certain other categories of expenses.

Expenditures on grass roots exploration and property examinations increased to \$279,000 from the \$107,000 recorded in 2001. This increase reflected increased activities in Mexico and Chile as we made an effort to locate potential new properties through exploration as well as acquisitions. We have been successful in this regard as three new properties were staked in Mexico and two in Chile. Once a property has been acquired, the acquisition costs are deferred as mineral property costs. In 2002, the Bluey's property in Australia was abandoned and we wrote-off our \$53,000 investment. In 2001, we wrote-off \$1,744,000 relating to our remaining investment in the El Asiento property in Bolivia.

Reclamation costs expensed in 2002 were \$420,000 compared to \$201,000 – an increase of \$219,000. On-going environmental and reclamation expenditures were \$322,000 reflecting greater activity at sites in British Columbia. In 2002, unlike 2001, there were excellent weather conditions for reclamation at the Duthie property. In 2002 we reviewed our environmental obligations and accrued an additional \$98,000 provision (2001 – \$nil) on reclamation in British Columbia.

At December 31, 2002, we had accrued \$843,000 relating to our various reclamation obligations. Of this amount, \$357,000 related to the Duthie property, \$240,000 related to the Silver Standard Mine property, \$112,000 related to the Silvertip property in British Columbia and \$89,000 related to the Candelaria Mine property in Nevada, with the balance relating to our other properties. The Duthie property and Silver Standard Mine property accruals were charged to earnings in 1995 and 1996. The Candelaria Mine property accrual was established in 2002. The Diablillos property and Silvertip property accruals were established in conjunction with their acquisition in 2001 and 2002, respectively. The accruals cover monitoring costs.

Expenses were \$2,147,000 during 2002 compared to \$1,517,000, an increase of \$630,000. Of the increase, \$298,000 related to general and administrative costs including depreciation, \$73,000 for professional fees, \$127,000 for salary and employee benefits and \$132,000 for stock-based compensation for non-employees.

General and administrative costs were \$1,404,000 compared to \$1,105,000 in 2001. Approximately \$100,000 of the increase was in the area of investor and shareholder relations, including consulting. This increase related to costs associated with the private placement in the second quarter of 2002 and a number of other investor and shareholder awareness initiatives undertaken in 2002. These shareholder awareness costs continued in 2003. The other areas where there have been increases are in the areas of insurance, capital tax and transfer agent and filing fees.

Professional fees were \$153,000 in 2002 compared to \$80,000 in 2001. The increase relates to the requirement for more accounting, audit and legal professional services and the increased costs for these services.

Salaries and employee benefits expensed were \$434,000 in 2002 compared to \$307,000 in 2001. During the second quarter of 2002, \$101,000 in bonus payments were made to nine employees and our relatively low salaries compared to peer companies were increased. The costs of our benefit plans were \$32,000 higher than in 2001.

Effective January 1, 2002, we adopted the new accounting standard for stock-based compensation. We granted 74,900 stock options to non-employees in 2002. The fair value of these options was \$161,000 and we expensed \$132,000 of this assigned value and deferred \$29,000 into mineral property costs. As permitted under the standard, we elected not to follow the fair value method of accounting for stock options granted for directors and employees. Had we followed the fair value method, an additional compensation cost of \$1,664,000 would have been recorded.

Other income for 2002 was \$701,000 compared to \$192,000 in 2001. Investment income was \$305,000 in 2002 compared to \$176,000 in 2001. Lower short-term interest rates were more

than offset by higher cash and investment balances. We recorded gains on the disposal of marketable securities in the amount of \$544,000 in 2002. There were no gains in 2001. Interest expense for 2002 was \$92,000 compared to \$nil in 2001. During 2002, we issued a 10% US \$1,340,000 convertible debenture in relation to our acquisition of a 43.4% interest in the Piriquitas property. By the end of the year, this debenture was converted to equity.

### 3. FINANCIAL POSITION AND LIQUIDITY

#### Cash From Operations

Cash flow from operations was a usage of \$3,303,000 in 2003, compared to usages of \$2,250,000 in 2002 and \$1,646,000 in 2001.

#### Investing Activities

Total cash invested in mineral property costs including acquisitions over the last three years are detailed below:

|                  | 2003                | 2002                 | 2001                |
|------------------|---------------------|----------------------|---------------------|
| Manantial Espejo | 830,000             | \$ 1,588,000         | \$ 2,312,000        |
| Shafter          | 743,000             | 841,000              | 804,000             |
| Candelaria       | 476,000             | 419,000              | 654,000             |
| Bowdens          | 1,485,000           | 751,000              | 670,000             |
| Challacollo      | 2,532,000           | 1,560,000            | -                   |
| San Marcial      | 93,000              | 1,032,000            | -                   |
| Silvertip        | 21,000              | 1,209,000            | -                   |
| Diablillos       | 666,000             | 87,000               | 2,404,000           |
| Piriquitas       | 119,000             | 4,745,000            | -                   |
| Sunrise          | 687,000             | -                    | -                   |
| La Pitarrilla    | 677,000             | 48,000               | -                   |
| Maverick Springs | 868,000             | 3,000                | -                   |
| Other            | 636,000             | 236,000              | 372,000             |
|                  | <u>\$ 9,833,000</u> | <u>\$ 12,519,000</u> | <u>\$ 7,216,000</u> |

*The above table reflects cash expenditures by property. It does not include the value of shares issued for mineral properties and other non-cash charges.*

#### Acquisitions

In June 2003, we acquired a 100% interest in the Sunrise Lake deposit in Canada's Northwest Territories. To acquire this project, we made a cash payment of US \$488,000 and issued 83,004 of our common shares valued at \$576,000.

In December 2002, we acquired a 100% interest in the Silvertip project located in northern British Columbia. To acquire this project, we made a cash payment of \$1,200,000 and issued 100,000 of our common shares valued at \$618,000.

In November 2002, we entered into a letter agreement for an option/joint venture agreement with Vista Gold Corp. (Vista), under which we would acquire all silver resources hosted in the Maverick Springs silver-gold property in northern Nevada.

Under the terms of the letter agreement, we would pay Vista US \$300,000 on closing of a formal agreement and contribute US \$1,200,000 over a period of four years toward exploration programs, land holding costs and option payments. In June 2003, the formal agreement was signed and all required payments were made to Vista.

In June 2002, we acquired a 43.4% interest in Sunshine Argentina, Inc., which owns the Piriquitas silver project. We paid \$4,556,000 (US \$3,000,000) in cash and issued a \$2,092,000 (US \$1,340,000) convertible debenture. By December 31, 2002, the debenture was fully converted into common stock.

In March 2002, we acquired the entire interest in the Manantial Espejo property. Concurrently, we closed an agreement with Pan American Silver Corp. (Pan American) whereby Pan American acquired a 50% direct interest in the property. Pan American's acquisition cost was US \$708,750 cash and 231,511 Pan American common shares valued at US \$1,250,000, which were paid to Black Hawk as full consideration for the sale of its interest. We will be the operator during the exploration phase and exploration costs were shared equally from January 1, 2002. Pan American will be the operator during the feasibility and mine construction stages and will contribute the first US \$3,000,000 towards mine construction once a production decision is made, after which, any further expenditures will be shared equally.

In November 2001, we acquired 100% of Pacific Rim Argentina, a company which owns the Diablillos property in Argentina, for a total consideration of \$5,430,000. Of the total consideration, \$2,404,000 was cash and the balance was paid in shares.

In August 2001, we acquired a 20% direct interest in the Manantial Espejo property by issuing 400,000 common shares valued at \$920,000. We then transferred half of this interest (representing 10% valued at \$460,000) and cash of \$125,000 in exchange for a 40% direct interest in the Sulphurets property, giving us a 100% interest in Sulphurets.

In April 2001, we exercised our option to acquire 100% of the Candelaria property for total consideration of \$2,692,000 comprised of a cash payment of \$104,000, an issuance of 600,000 common shares valued at \$1,962,000, an issuance of 600,000 common share purchase warrants valued at \$326,000 and an issuance of a \$300,000 non-interest-bearing promissory note.

#### Marketable Securities

Other investing activities in 2003 included the purchase of \$1,042,000 (2002 - \$527,000; 2001 - nil) in marketable securities.

We sold certain of our marketable securities in 2002 to realize proceeds of \$757,000 with a gain on the sale of \$544,000. There were no similar sales in 2003 or 2001. At December 31, 2003, the quoted market value of the marketable securities was \$9,730,000 (2002 - \$1,358,000) compared to the carried cost of \$1,457,000 (2002 - \$313,000).

#### Financing Activities

During 2003, we raised a total of \$13,229,000 from new equity compared to \$26,725,000 in 2002 and \$11,174,000 in 2001. Although there were no funds raised through private placements in 2003, we incurred \$54,000 in share issuance costs. These costs related to registration costs for a private placement that closed in December 2002.



|                           | 2003                 | 2002                 | 2001                 |
|---------------------------|----------------------|----------------------|----------------------|
| Private placements        | \$ -                 | \$ 19,979,000        | \$ 4,495,000         |
| Exercise of stock options | 2,140,000            | 1,827,000            | 3,976,000            |
| Exercise of warrants      | 11,089,000           | 4,919,000            | 2,703,000            |
|                           | <b>\$ 13,229,000</b> | <b>\$ 26,725,000</b> | <b>\$ 11,174,000</b> |

In mid January 2004, we closed a private placement of 2,955,000 units at a price of \$14.80 per unit for gross proceeds of \$43,734,000. Each unit consists of one common share and one-half of one common share purchase warrant. Each whole warrant is exercisable on payment of \$18.50 into one of our common shares for a period of two years. Finders' fees of 5% in units, 5% in both cash and warrants (each whole warrant entitling the holder to acquire one common share for a period of two years at a price of \$18.50) and 4.25% in cash are payable on various portions of the placement.

In addition, at December 31, 2003, the company had received \$455,000 on the exercise of 92,900 common share purchase warrants. The common shares were not issued until subsequent to year-end.

#### Cash Resources and Liquidity

At December 31, 2003, we had working capital of \$16,893,000. This working capital compares to \$16,430,000 at the same time in 2002 and \$5,520,000 in 2001.

We have planned expenditures on properties of approximately \$8,200,000 in 2004, with other planned expenditures of \$2,500,000 for administration, reclamation and capital programs. Many of the \$8,200,000 in planned property expenditures are discretionary.

A summary of our contractual obligations is as follows:

#### Contractual Obligations

|                               | Total      | Payments Due by Period |            |            |               |
|-------------------------------|------------|------------------------|------------|------------|---------------|
|                               |            | Less than 1 year       | 1-3 years  | 4-5 years  | After 5 years |
| Long term debt                | \$ 141,000 | \$ 66,000              | \$ 32,000  | \$ 22,000  | \$ 21,000     |
| Operating leases              | 492,000    | 116,000                | 232,000    | 144,000    | -             |
| Total contractual obligations | \$ 633,000 | \$ 182,000             | \$ 264,000 | \$ 166,000 | \$ 21,000     |

With our strong working capital position, the closing of the \$43,734,000 private placement in January 2004, our marketable securities and in-the-money warrants outstanding, we will be able to meet all of our obligations for the foreseeable future.

#### 4. STRATEGY

Since 1990, demand for silver has exceeded the combination of silver mine supply and scrap recycling. To the end of 2003, surface stockpiles of silver which had accumulated during the 1970s and 1980s declined by more than 1.6 billion ounces. Since surface stockpiles are finite, we believe the gap between supply and demand must inevitably be met through higher silver prices that will encourage increased production. Since three-quarters of current mine supply of silver is a by-product of gold or base metal operations, the beneficiaries of higher silver prices will be companies focused primarily on silver.

We commenced acquiring and developing a diverse portfolio of silver-dominant properties in 1993 with the expectation that a pipeline of primary silver operations would

be developed with increasing higher silver prices. Criteria for the acquisition of key projects have included: sufficient drilling to warrant a resource calculation, thereby reducing technical risk; a relatively low acquisition cost on a per resource ounce basis in order to enhance the economics of future operations; good exploration potential; metallurgy that favors low environmental impact when production commences; and limited environmental impact from any historic operations in order to minimize future contingencies or obligations.

As our resource base has grown, and leverage on a per share basis has increased, our common shares have behaved like an unexpiring call option or proxy on silver prices which has enhanced our ability to finance growth.

Since April of 2003, the Commodities Research Bureau Index for basic materials (which are priced in U.S. dollars), frequently used as an indicator of future inflation, has advanced close to 20%. The Index indicates stronger demand for basic materials worldwide as well as a 12% decline in the trade-weighted value of the U.S. dollar.

In the same time frame, spot silver prices have risen from approximately US\$4.60 per ounce to US\$6.90 per ounce, an increase of 50%. The combination of strong fundamentals for silver, strong demand for industrial metals, including silver, and devaluation of the U.S. dollar appear to be important factors in continued strengthening of silver prices.

As these higher silver prices have enhanced the economics of our projects, we must evaluate the most effective opportunities for deploying shareholder capital. Since the beginning of 2003, our market capitalization has more than tripled, indicating heightened interest in our prospects.

Depending on market conditions and our determination of the most effective use of shareholder capital, production financing may be provided from then current cash; equity and/or debt financing; sale of a partial property interest to another mining company in exchange for construction funding; or sale of non-core assets.

#### 5. RISKS AND UNCERTAINTIES

**Our exploration programs may not result in a commercial mining operation.**

Mineral exploration involves significant risk because few properties that are explored contain bodies of ore that would be commercially economic to develop into producing mines. Our mineral properties are without a known body of commercial ore and our proposed programs are an exploratory search for ore. We do not know whether our current exploration programs will result in any commercial mining operation. If the exploration programs do not result in the discovery of commercial ore, we will be required to acquire additional properties and write-off all of our investments in our existing properties.

**Factors beyond our control may determine whether any mineral deposits we discover are sufficiently economic to be developed into a mine.**

The determination of whether our mineral deposits are economic is affected by numerous factors beyond our control. These factors include market fluctuations for precious metals; the proximity and capacity of natural resource markets and processing equipment; and government regulations governing

prices, taxes, royalties, land tenure, land use, importing and exporting of minerals and environmental protection.

**We have no revenue from operations and no ongoing mining operations of any kind.**

We are a mineral exploration company and have no revenues from operations and no ongoing mining operations of any kind. If our exploration programs successfully locate an economic ore body, we will be subject to additional risks associated with mining.

We will require additional funds to place the ore body into commercial production. Substantial expenditures will be required to establish ore reserves through drilling, develop metallurgical processes to extract the metals from the ore and construct the mining and processing facilities at any site chosen for mining. We do not know whether additional financing will be available at all or on acceptable terms. If additional financing is not available, we may have to postpone the development of, or sell, the property.

The majority of our property interests are not located in developed areas and as a result may not be served by appropriate road access, water and power supply and other support infrastructure. These items are often needed for development of a commercial mine. If we cannot procure or develop roads, water, power and other infrastructure at a reasonable cost, it may not be economic to develop properties, where our exploration has otherwise been successful, into a commercial mining operation.

In making determinations about whether to proceed to the next stage of development, we must rely upon estimated calculations as to the mineral reserves and grades of mineralization on our properties. Until ore is actually mined and processed, mineral reserves and grades of mineralization must be considered as estimates only. Any material changes in mineral reserve estimates and grades of mineralization will affect the economic viability of the placing of a property into production and a property's return on capital.

Mining operations often encounter unpredictable risks and hazards that add expense or cause delay. These include unusual or unexpected geological formations, power outages, labor disruptions, flooding, explosions, rockbursts, cave-ins, landslides and inability to obtain suitable or adequate machinery, equipment or labor. We may become subject to liabilities in connection with pollution, cave-ins or hazards against which we cannot insure against or which may elect not to insure. The payment of these liabilities could require the use of financial resources that would otherwise be spent on mining operations.

Mining operations and exploration activities are subject to national and local laws and regulations governing prospecting, development, mining and production, exports and taxes, labor standards, occupational health and mine safety, waste disposal, toxic substances, land use and environmental protection. In order to comply, we may be required to make capital and operating expenditures or to close an operation until a particular problem is remedied. In addition, if our activities violate any such laws and regulations, we may be required to compensate those suffering loss or damage, and may be fined if convicted of an offence under such legislation.

Our profitability and long-term viability will depend, in large part, on the market price of silver, gold, zinc and lead. The market prices for these metals are volatile and are affected by numerous factors beyond our control, including global or regional consumption patterns, supply of, and demand for, silver, gold, zinc and lead, speculative activities, expectations for inflation and political and economic conditions. We cannot predict the effect of these factors on metals prices.

**We may not have sufficient funds to complete further exploration programs.**

We have limited financial resources, do not generate operating revenue, and must finance our exploration activity by other means. We do not know whether additional funding will be available for further exploration of our projects or to fulfill our anticipated obligations under our existing property agreements. If we fail to obtain additional financing, we will have to delay or cancel further exploration of our properties, and we could lose all of our interest in our properties.

**Our properties may be subject to uncertain title.**

We own, lease or have under option, unpatented and patented mining claims, mineral claims or concessions which constitute our property holdings. The ownership and validity, or title, of unpatented mining claims and concessions are often uncertain and may be contested. A successful claim contesting our title to a property will cause us to lose our rights to explore and, if warranted, develop that property. This could result in our not being compensated for our prior expenditures relating to the property.

**Land reclamation requirements for our exploration properties may be burdensome.**

Although variable depending on location and the governing authority, land reclamation requirements are generally imposed on mineral exploration companies (as well as companies with mining operations) in order to minimize long term effects of land disturbance. Reclamation may include requirements to control dispersion of potentially deleterious effluents and reasonably re-establish pre-disturbance land forms and vegetation. In order to carry out reclamation obligations imposed on us in connection with our mineral exploration, we must allocate financial resources that might otherwise be spent on further exploration programs.

**Political or economic instability or unexpected regulatory change in the countries where our properties are located could adversely affect our business.**

Certain of our properties are located in countries, provinces and states more likely to be subject to political and economic instability, or unexpected legislative change, than is usually the case in certain other countries, provinces and states. Our mineral exploration activities could be adversely affected by political instability and violence; war and civil disturbance; expropriation or nationalization; changing fiscal regimes; fluctuations in currency exchange rates; high rates of inflation; underdeveloped industrial and economic infrastructure; and unenforceability of contractual rights; any of which may adversely affect our business in that country.



**We may be adversely affected by fluctuations in foreign exchange rates.**

We maintain our accounts in Canadian and U.S. dollars. Any appreciation in the currencies of Argentina, Australia, Chile, Mexico or other countries where we carry out exploration activities against the Canadian or U.S. dollar will increase our costs of carrying out operations in such countries. In addition, any decrease in the U.S. dollar against the Canadian dollar will result in a loss on our books to the extent we hold funds in U.S. dollars.

**We face industry competition in the acquisition of exploration properties and the recruitment and retention of qualified personnel.**

We compete with other exploration companies, many of which have greater financial resources than us or are further in their development, for the acquisition of mineral claims, leases and other mineral interests as well as for the recruitment and retention of qualified employees and other personnel. If we require and are unsuccessful in acquiring additional mineral properties or personnel, we will not be able to grow at the rate we desire or at all.

**Some of our directors and officers have conflicts of interest as a result of their involvement with other natural resource companies.**

Some of our directors and officers are directors or officers of other natural resource or mining-related companies. These associations give rise to conflicts of interest from time to time. In particular, our directors who also serve as directors of other companies in the same industry may be presented with business opportunities which are made available to such competing companies and not to us.

## **6. THE SILVER MARKET**

In inflation-adjusted terms, silver is currently trading at close to Depression-level prices. As noted in the Strategy section above, demand has been exceeding mine supply and scrap recycling since 1990 and any return to balanced market conditions is not anticipated in the near future, enhancing the likelihood of higher prices due to silver's many and growing industrial uses as well as increasing investment demand in relation to continued weakening of the U.S. dollar. Please refer to the section in the annual report on silver.

## **7. OUTLOOK**

With the company's strong cash position and pipeline of development projects, a commodities cycle that favors both precious and base metals, and greater investor appreciation of the silver sector, Silver Standard is well-positioned to maximize shareholder value as the fundamentals of silver are reflected in its price.

March 12, 2004

## MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

The accompanying consolidated financial statements of the company have been prepared by management in accordance with accounting principles generally accepted in Canada and reconciled to accounting principles generally accepted in the United States as set out in note 18, and contain estimates based on management's judgement. Management maintains an appropriate system of internal controls to provide reasonable assurance that transactions are authorized, assets safeguarded, and proper records maintained.

The Audit Committee of the Board of Directors has met with the company's independent auditors to review the scope and results of the annual audit, and to review the financial statements and related financial reporting matters prior to submitting the financial statements to the Board for approval.

The company's independent auditors, PricewaterhouseCoopers LLP, are appointed by the shareholders to conduct an audit in accordance with generally accepted auditing standards in Canada and the United States, and their report follows.



**Robert A. Quartermain**  
President



**Ross A. Mitchell**  
Vice President, Finance  
March 12, 2004

## INDEPENDENT AUDITORS' REPORT

To the Shareholders of  
Silver Standard Resources Inc.

We have audited the consolidated balance sheets of **Silver Standard Resources Inc.** as at December 31, 2003 and 2002 and the consolidated statements of loss and deficit and cash flows for the years ended December 31, 2003, 2002 and 2001. These financial statements are the responsibility of the company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in Canada and the United States. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the company as at December 31, 2003 and 2002 and the results of its operations and its cash flows for the years ended December 31, 2003, 2002 and 2001 in accordance with Canadian generally accepted accounting principles. As required by the British Columbia Company Act, we report that, in our opinion, these principles have been applied on a consistent basis.



**Chartered Accountants**  
Vancouver, B.C., Canada  
February 20, 2004



# CONSOLIDATED BALANCE SHEETS

As at December 31, 2003 and 2002

(expressed in thousands of Canadian dollars, except number of shares)

|  | 2003      | 2002      |
|--|-----------|-----------|
| <b>ASSETS</b>  |           |           |
| <b>Current assets</b>                                  |           |           |
| Cash and cash equivalents (note 14(a))                 | \$ 16,428 | \$ 17,342 |
| Marketable securities (notes 4 and 11(b))              | 1,457     | 313       |
| Accounts receivable (note 11(a))                       | 339       | 409       |
| Prepaid expenses                                       | 234       | 200       |
|  | 18,458    | 18,264    |
| Reclamation deposits (note 13)                         | 153       | 70        |
| Investments (note 4)                                   | -         | 100       |
| Mineral property costs (note 5)                        | 66,491    | 56,230    |
| Fixed assets (note 6)                                  | 111       | 84        |
|  | \$ 85,213 | \$ 74,748 |
| <b>LIABILITIES</b>                                     |           |           |
| <b>Current liabilities</b>                             |           |           |
| Accounts payable and accrued liabilities               | \$ 725    | \$ 817    |
| Current portion of provision for reclamation (note 13) | 248       | 142       |
| Mineral property payable (note 5(k))                   | 526       | 772       |
| Current portion of long-term debt (note 7)             | 66        | 103       |
|  | 1,565     | 1,834     |
| Provision for reclamation (note 13)                    | 1,043     | 701       |
| Long-term debt (note 7)                                | 75        | 249       |
|  | 2,683     | 2,784     |
| <b>SHAREHOLDERS' EQUITY</b>                            |           |           |
| <b>Capital stock (note 8)</b>                          |           |           |
| Authorized   |           |           |
| 100,000,000 common shares without par value            |           |           |
| Issued   |           |           |
| 42,604,832 common shares (2002 - 39,190,887)           | 113,537   | 99,510    |
| Share subscriptions (note 10)                          | 455       | -         |
| Value assigned to stock options (note 9)               | 170       | 148       |
| Deficit  | (31,632)  | (27,694)  |
|  | 82,530    | 71,964    |
|  | \$ 85,213 | \$ 74,748 |

Subsequent event (note 19)

Approved by the Board of Directors



R.E. Gordon Davis, Director



William Meyer, Director

The accompanying notes are an integral part of the consolidated financial statements.

## CONSOLIDATED STATEMENTS OF LOSS AND DEFICIT

For the years ended December 31, 2003 and 2002 and 2001  
(expressed in thousands of Canadian dollars, except number of shares and per share amounts)

|  | 2003        | 2002        | 2001        |
|--|-------------|-------------|-------------|
| <b>EXPLORATION AND MINERAL PROPERTY COSTS</b>                          |             |             |             |
| Property examination and exploration                                   | \$ 465      | \$ 279      | \$ 107      |
| Mineral property costs written off (note 5)                            | -           | 53          | 1,744       |
| Reclamation (note 13)  | 507         | 420         | 201         |
|  | (972)       | (752)       | (2,052)     |
| <b>EXPENSES</b>  |             |             |             |
| Depreciation   | 30          | 24          | 25          |
| General and administration   | 1,579       | 1,404       | 1,105       |
| Professional fees  | 143         | 153         | 80          |
| Salaries and employee benefits   | 654         | 434         | 307         |
| Stock-based compensation (note 9)                                      | 169         | 132         | -           |
|  | (2,575)     | (2,147)     | (1,517)     |
| <b>OTHER INCOME (EXPENSES)</b>   |             |             |             |
| Investment income  | 379         | 305         | 176         |
| (Loss) gain on sale of marketable securities and investment writedowns | (101)       | 544         | -           |
| Fixed asset writedowns and loss on sale                                | -           | (19)        | -           |
| Gain on sale of mineral property                                       | -           | -           | 1           |
| Interest expense (note 3(a))   | -           | (92)        | -           |
| Foreign exchange (loss) gain   | (669)       | (37)        | 15          |
|  | (391)       | 701         | 192         |
| <b>LOSS FOR THE YEAR</b>   | (3,938)     | (2,198)     | (3,377)     |
| <b>DEFICIT - BEGINNING OF YEAR</b>                                     | (27,694)    | (25,496)    | (22,119)    |
| <b>DEFICIT - END OF YEAR</b>   | \$ (31,632) | \$ (27,694) | \$ (25,496) |
| <b>WEIGHTED AVERAGE NUMBER OF SHARES OUTSTANDING</b>                   | 40,409,854  | 35,739,100  | 26,375,200  |
| <b>BASIC AND DILUTED LOSS PER COMMON SHARE</b>                         | \$ (0.10)   | \$ (0.06)   | \$ (0.13)   |

The accompanying notes are an integral part of the consolidated financial statements.



# CONSOLIDATED STATEMENTS OF CASH FLOWS

For the years ended December 31, 2003 and 2002 and 2001  
(expressed in thousands of Canadian dollars)

|  | 2003       | 2002       | 2001       |
|--|------------|------------|------------|
| <b>CASH FLOWS FROM OPERATING ACTIVITIES</b>                            |            |            |            |
| Loss for the year  | \$ (3,938) | \$ (2,198) | \$ (3,377) |
| Items not affecting cash   |            |            |            |
| Depreciation   | 30         | 24         | 25         |
| Mineral property costs written off                                     | -          | 53         | 1,744      |
| Interest expense   | -          | 90         | -          |
| Fixed asset writedowns and loss on sale                                | -          | 19         | -          |
| Gain on sale of mineral property                                       | -          | -          | (1)        |
| Loss (gain) on sale of marketable securities and investment writedowns | 101        | (544)      | -          |
| Valuation of options issued to non-employees                           | 169        | 132        | -          |
| Donation made in shares  | -          | 41         | -          |
| Provision for reclamation  | 370        | 98         | -          |
| Foreign exchange (gain) loss   | (4)        | 37         | -          |
|  | (3,272)    | (2,248)    | (1,609)    |
| Changes in non-cash working capital items                              |            |            |            |
| Accounts receivable and prepaid expenses                               | (14)       | (222)      | (137)      |
| Accounts payable and accrued liabilities                               | (17)       | 220        | 100        |
|  | (3,303)    | (2,250)    | (1,646)    |
| <b>CASH FLOWS FROM FINANCING ACTIVITIES</b>                            |            |            |            |
| Shares issued for cash   | 13,229     | 26,725     | 11,174     |
| Share subscriptions received   | 455        | -          | -          |
| Share issue cash costs   | (54)       | (333)      | (26)       |
| Repayment of long-term debt  | (211)      | (152)      | (22)       |
|  | 13,419     | 26,240     | 11,126     |
| <b>CASH FLOWS FROM INVESTING ACTIVITIES</b>                            |            |            |            |
| Minority interest buy-out  | -          | (2)        | -          |
| Mineral property costs   | (9,833)    | (7,963)    | (4,591)    |
| Proceeds on sale of mineral property                                   | -          | -          | 1          |
| Purchase of fixed assets   | (57)       | (38)       | (28)       |
| Proceeds on sale of fixed assets                                       | -          | -          | 49         |
| On acquisition of joint venture  | -          | 34         | -          |
| Acquisitions (note 3)  | -          | (4,556)    | (2,625)    |
| Reclamation deposit (advance) recovery                                 | (83)       | 40         | (18)       |
| Purchase of marketable securities                                      | (1,042)    | (527)      | -          |
| Proceeds on sale of marketable securities                              | -          | 757        | -          |
|  | (11,015)   | (12,255)   | (7,212)    |
| <b>FOREIGN EXCHANGE (LOSS) GAIN ON FOREIGN CASH HELD</b>               | (15)       | 30         | -          |
| <b>(DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS</b>                | (914)      | 11,765     | 2,268      |
| <b>CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR</b>                   | 17,342     | 5,577      | 3,309      |
| <b>CASH AND CASH EQUIVALENTS - END OF YEAR</b>                         | \$ 16,428  | \$ 17,342  | \$ 5,577   |

## SUPPLEMENTARY CASH FLOW INFORMATION (note 14)

The accompanying notes are an integral part of the consolidated financial statements.

As at December 31, 2003 and 2002 and 2001

(all tabular amounts are expressed in thousands of Canadian dollars, unless otherwise stated)

## 1 NATURE OF OPERATIONS

The company is in the process of acquiring and exploring silver mineral properties. The company hopes to ultimately develop the properties to bring them to production, structure joint ventures with others, option or lease properties to third parties, or sell the properties outright. The company has not determined whether these properties contain ore reserves that are economically recoverable and is considered to be in the exploration stage.

Management has estimated that the company will have adequate funds from existing working capital to meet its corporate administrative and property obligations for the coming year. The company will periodically need to obtain additional financing, and while the company has been successful in the past, there can be no assurance that it will be able to do so in the future.

The recoverability of the amounts shown for mineral properties and related deferred costs is dependent upon the existence of economically recoverable reserves, securing and maintaining title and beneficial interest in the properties, the ability of the company to obtain necessary financing to complete the development, and upon future profitable production. The amounts shown as deferred expenditures and property acquisition costs represent net costs to date, less amounts amortized and/or written off, and do not necessarily represent present or future values.

Although the company has taken steps to verify title to mineral properties in which it has an interest, in accordance with industry standards for the current stage of exploration of such properties, these procedures do not guarantee the company's title. Property title may be subject to unregistered prior agreements or transfers and may be affected by undetected defects.

## 2 SIGNIFICANT ACCOUNTING POLICIES

### Generally accepted accounting principles

These consolidated financial statements have been prepared in accordance with Canadian generally accepted accounting principles (Canadian GAAP). The significant measurement differences between those principles and those that would be applied under U.S. generally accepted accounting principles (U.S. GAAP), as they affect the company, are disclosed in note 18.

### Principles of consolidation

These consolidated financial statements include the accounts of the company and its subsidiaries, the principal ones being Newhawk Gold Mines Ltd. (Newhawk), Silver Standard (BVI) Inc., Candelaria Mining Company (Candelaria), Pacific Rim Mining Corporation Argentina S.A. (Pacific Rim Argentina) and Silver Assets, Inc. (Silver Assets). The company now consolidates its 100% interest in Sulphurets. Prior to the acquisition described in note 3(c), the company proportionately consolidated its 60% interest in the Sulphurets Joint Venture, which was reflected as the Sulphurets mineral property. The company proportionately consolidates its interest in Minera Triton Argentina S.A. (Minera Triton), which is reflected in the Manantial Espejo mineral property, and proportionately

consolidates its 43.4% interest in Sunshine Argentina Inc. (Sunshine), which is reflected in the Piriquitas mineral property.

### Use of estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures during the reporting period. Actual results could differ from those reported.

### Foreign currency translation

The company's subsidiaries are integrated foreign operations and are translated into Canadian dollars using the temporal method. Monetary items are translated at the exchange rate in effect at the balance sheet date; non-monetary items are translated at historical exchange rates. Income and expense items are translated at the average exchange rate for the period. Translation gains and losses are reflected in loss for the year.

### Cash and cash equivalents

Cash and cash equivalents include cash on hand, balances held with banks and highly liquid deposits with an initial maturity of less than 90 days. Cash equivalents also include highly liquid short-term investments with an initial maturity of over 90 days that are readily convertible to known amounts of cash and are subject to an insignificant risk of change in value.

### Marketable securities

Marketable securities, all of which are categorized as available for sale, are carried at the lower of original cost and quoted market value.

### Investments

Investments are recorded at cost. If other than temporary impairment in value has occurred, they are written down to estimated market value.

### Mineral property costs

The company records its interests in mineral properties at cost. The costs of acquiring mineral properties and related exploration and development expenditures are deferred and would be amortized against future production following commencement of commercial production or are written off if the properties are sold, allowed to lapse or abandoned. General exploration, overhead and administration costs are expensed in the period incurred.

Management of the company regularly reviews the net carrying value of each mineral property. Where information is available and conditions suggest impairment, estimated future net cash flows from each property are calculated using estimated future prices, proven and probable reserves, and operating capital and reclamation costs on an undiscounted basis. Reductions in the carrying value of each property would be recorded to the extent the net book value of the investment exceeds the estimated future cash flows.

Where estimates of future net cash flows are not available and where other conditions suggest impairment, management assesses whether carrying value can be recovered.



## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the years ended December 31, 2003 and 2002 and 2001

(all tabular amounts are expressed in thousands of Canadian dollars, unless otherwise stated)

Management's estimates of mineral prices, recoverable proven and probable reserves, and operating, capital and reclamation costs are subject to certain risks and uncertainties that may affect the recoverability of mineral property costs. Although management has made its best estimate of these factors, it is possible that changes could occur in the near term that could adversely affect management's estimate of the net cash flows to be generated from its properties. The company presently has no proven or probable reserves.

Option payments received are treated as a reduction of the carrying value of the related mineral property and deferred costs until the payments are in excess of costs incurred, at which time they are then credited to income.

### Fixed assets

Fixed assets are recorded at cost less accumulated depreciation. Depreciation is calculated using the declining balance method at rates ranging from 15% to 30% per annum.

### Provision for reclamation

The company estimates the fair value of site restoration and clean-up costs on acquisition of mineral properties and reflects this amount in the cost of the mineral property acquired.

On January 1, 2003, the company adopted the new standard of accounting for asset retirement obligations which harmonizes with U.S. GAAP. The new standard requires the recognition of a liability for obligations associated with the retirement of fixed assets when the liability is incurred. A liability is recognized initially at fair value if a reasonable estimate of the fair value can be made and the resulting amount would be capitalized as part of the asset. The liability is accreted over time through periodic charges to earnings or mineral property costs. In subsequent periods, the company adjusts the carrying amounts of the asset and the liability for changes in estimates of the amount or timing of underlying future cash flows.

It is reasonably possible that the company's estimates of its ultimate reclamation and site restoration liability could change as a result of changes in regulations or cost estimates. The effect of changes in estimated costs is recognized on a prospective basis.

### Stock-based compensation

The company has a share option plan which is described in note 9. Stock-based compensation on options granted to non-employees is recorded as an expense at the earlier of the completion of performance or vesting of the options granted, based upon the estimated fair value on that date. The company does not record any compensation cost on the granting of stock options to employees and directors using the intrinsic value method as the exercise price is equal to or greater than the market price at the date of the grant. Consideration paid on exercise of the stock options is credited to capital stock. Additional disclosures for options granted to employees and directors, including disclosure of pro forma earnings and pro forma earnings per share as if the fair value based accounting method had been used to account for employee stock options, are presented in note 9.

### Income taxes

Income taxes are calculated using the liability method.

Temporary differences arising from the difference between the tax basis of an asset or liability and its carrying amount on the balance sheet are used to calculate future income tax liabilities or assets. Future income tax liabilities or assets are calculated using tax rates anticipated to apply in the periods that the temporary differences are expected to reverse.

### Loss per common share

Loss per share is calculated based on the weighted average number of common shares issued and outstanding during the year. The effect of potential issuances of shares under options and warrants would be anti-dilutive, and therefore basic and diluted losses per share are the same. Information regarding securities that could potentially dilute basic earnings per share in the future is presented in notes 9 and 10.

## 3 ACQUISITIONS

- a) In June 2002, the company acquired a 43.4% interest in Sunshine Argentina, Inc. (Sunshine) which owns the surface and mineral rights for the Pirquitas silver project (note 5(c)). The company paid \$4,556,000 (US\$3,000,000) in cash and issued a US\$1,340,000 convertible debenture for a total of \$6,592,000. The company assigned the purchase price to acquisition costs relating to the Pirquitas property. By December 31, 2002, the debenture was fully converted by the issuance of 360,636 common shares with a value of \$2,092,000. In July 2003, the Company issued 9,980 common shares with a value of \$74,850 in full settlement of the interest due relating to the debenture (note 8).
- b) In November 2001, the company acquired 100% of Pacific Rim Argentina, a company incorporated in Argentina that owns the mineral rights for the Diablillos silver-gold project in Argentina (note 5(a)). The company has accounted for the acquisition as a purchase for total consideration of \$5,429,649 (US\$3,426,391).
- c) In August 2001, the company acquired a 20% direct interest in the Manantial Espejo property (note 5(b)) by issuing 400,000 common shares valued at \$920,000. The value of the common shares issued was based on market price. The company then transferred half of this interest (representing 10% valued at \$460,000) and cash of \$125,000 to Black Hawk Mining Corporation (Black Hawk) in exchange for the remaining 40% interest in the Sulphurets property such that the company now owns 100% of Sulphurets.
- d) In April 2001, the company exercised its option to acquire a 100% interest in the Candelaria property (note 5(j)). The acquisition closed on October 1, 2001 with the company making cash payments of \$103,947 (US\$65,834), issuing 600,000 common shares valued at \$1,962,000, issuing 600,000 common share purchase warrants valued at \$326,000 (note 10), issuing a \$300,000 non-interest bearing promissory note (which was settled during 2002 by the

issuance of 70,922 common shares) and the assumption of all liabilities relating to the property following completion of reclamation by Kinross. The cost of monitoring on completion of reclamation is estimated to be US\$20,300 over a five-year period. The fair value of the consideration amounted to \$2,691,947, which was allocated to mineral property costs. The value of the common shares issued was based on market price.

#### 4 MARKETABLE SECURITIES AND INVESTMENTS

|                       | 2003     | 2002   |
|-----------------------|----------|--------|
| Marketable securities | \$ 1,457 | \$ 313 |
| Investments           | \$ -     | \$ 100 |

At December 31, 2003, the quoted market value of marketable securities was \$9,730,000 (2002 - \$1,358,000). During 2003, the \$100,000 investment in the shares of Sandy K. Mines Ltd. was fully provided for.

#### 5 MINERAL PROPERTY COSTS

At December 31, mineral property costs are as follows:

|                      | Acquisition costs | Exploration costs | 2003 Total |
|----------------------|-------------------|-------------------|------------|
| <b>Argentina</b>     |                   |                   |            |
| Chubut               | \$ 58             | \$ 94             | \$ 152     |
| Diablillos           | 5,370             | 798               | 6,168      |
| Manantial Espejo     | 4,090             | 7,336             | 11,426     |
| Pirquitas            | 6,592             | 342               | 6,934      |
| <b>Australia</b>     |                   |                   |            |
| Bowdens              | 10,892            | 6,079             | 16,971     |
| <b>Canada</b>        |                   |                   |            |
| Silvertip            | 1,818             | 142               | 1,960      |
| Sulphurets           | 2,393             | 1,255             | 3,648      |
| Sunrise Lake         | 1,234             | 29                | 1,263      |
| <b>Chile</b>         |                   |                   |            |
| Cachinal             | 17                | 78                | 95         |
| Challacollo          | 2,271             | 1,996             | 4,267      |
| Juncal               | 16                | 27                | 43         |
| La Flora             | 15                | 31                | 46         |
| <b>Mexico</b>        |                   |                   |            |
| La Pitarrilla        | 50                | 708               | 758        |
| La Valenciana        | 16                | 252               | 268        |
| Ortega               | 33                | 22                | 55         |
| San Agustín          | 28                | 131               | 159        |
| San Marcial          | 722               | 716               | 1,438      |
| Other                | 19                | 20                | 39         |
| <b>United States</b> |                   |                   |            |
| Candelaria           | 2,981             | 1,883             | 4,864      |
| Maverick Springs     | 553               | 844               | 1,397      |
| Shafter              | 2,544             | 1,996             | 4,540      |
| <b>Balance -</b>     |                   |                   |            |
| December 31, 2003    | \$ 41,712         | \$ 24,779         | \$ 66,491  |

|                      | Acquisition costs | Exploration costs | 2002 Total |
|----------------------|-------------------|-------------------|------------|
| <b>Argentina</b>     |                   |                   |            |
| Diablillos           | \$ 5,433          | \$ 122            | \$ 5,555   |
| Manantial Espejo     | 4,090             | 6,519             | 10,609     |
| Pirquitas            | 6,592             | 188               | 6,780      |
| <b>Australia</b>     |                   |                   |            |
| Bowdens              | 10,714            | 4,725             | 15,439     |
| <b>Canada</b>        |                   |                   |            |
| Silvertip            | 1,818             | 121               | 1,939      |
| Sulphurets           | 2,393             | 1,255             | 3,648      |
| <b>Chile</b>         |                   |                   |            |
| Cachinal             | 16                | 53                | 69         |
| Challacollo          | 649               | 1,086             | 1,735      |
| Juncal               | 16                | 20                | 36         |
| <b>Mexico</b>        |                   |                   |            |
| La Pitarrilla        | 16                | 47                | 63         |
| La Valenciana        | 12                | 58                | 70         |
| Ortega               | 17                | 19                | 36         |
| San Marcial          | 641               | 705               | 1,346      |
| <b>United States</b> |                   |                   |            |
| Candelaria           | 2,981             | 1,413             | 4,394      |
| Maverick Springs     | 474               | 301               | 775        |
| Shafter              | 2,391             | 1,345             | 3,736      |
| <b>Balance -</b>     |                   |                   |            |
| December 31, 2002    | \$ 38,253         | \$ 17,977         | \$ 56,230  |

Acquisition and exploration costs incurred during the year are as follows

|                                       | 2003      | 2002      |
|---------------------------------------|-----------|-----------|
| <b>Balance - Beginning of year</b>    | \$ 56,230 | \$ 39,136 |
| <b>Acquisition costs for the year</b> | 3,458     | 11,880    |
| <b>Exploration costs</b>              |           |           |
| Assaying                              | 705       | 235       |
| Camp costs                            | 1,786     | 1,078     |
| Consulting                            | 144       | 147       |
| Drafting/engineering                  | 177       | 101       |
| Drilling                              | 1,824     | 1,805     |
| Environmental                         | 293       | 299       |
| Field administration                  | 227       | 274       |
| Maps and prints                       | 60        | -         |
| Property holding costs                | 205       | 281       |
| Geology                               | 899       | 659       |
| Legal                                 | 151       | 280       |
| Value added tax                       | 332       | 108       |
| <b>Exploration costs for the year</b> | 6,803     | 5,267     |
| <b>Costs written off in the year</b>  | -         | (53)      |
| <b>Balance - End of year</b>          | \$ 66,491 | \$ 56,230 |

#### a) Diablillos, Argentina

In November 2001, the company acquired from Pacific Rim Mining Corp. (Pacific Rim) a 100% interest in Pacific Rim Argentina, which owns the mineral rights for the Diablillos silver-gold project located in the province of Salta in northwestern Argentina.



## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the years ended December 31, 2003 and 2002 and 2001

(all tabular amounts are expressed in thousands of Canadian dollars, unless otherwise stated)

Under the terms of the agreement, the company was to pay the vendors a total of US\$3,400,000 consisting of staged cash payments of US\$1,500,000 (paid) by December 31, 2001 and staged payments of US\$1,900,000 in cash or common shares. During 2002, the company settled all of these staged payments by the issuance of 525,995 common shares valued at \$2,980,000.

### b) Manantial Espejo, Argentina

During 1998, the company entered into an agreement with Triton Mining Corporation (Triton), a wholly owned subsidiary of Black Hawk, to acquire a 50% interest in Minera Triton Argentina S.A. (Minera Triton), a wholly owned subsidiary of Triton, for a 40% interest in the Manantial Espejo project in Argentina. Triton, through Minera Triton, held an 80% interest and the balance was held by a subsidiary of Barrick Gold Corporation (Barrick).

In August 2001, the company acquired the 20% direct interest in the Manantial Espejo property from Barrick by issuance of 400,000 common shares valued at \$920,000 (\$2.30 per share) with Barrick retaining a royalty (see below). In September 2001, the company transferred half of this 20% direct interest and \$125,000 to Black Hawk in exchange for a 40% direct interest in the Sulphurets property in British Columbia (note 3(c)), such that Triton held a 90% interest in the Manantial Espejo property.

In March 2002, the company acquired the entire interest in the Manantial Espejo property for consideration paid to Black Hawk as set out below. Concurrently, the company closed an agreement with Pan American Silver Corp. (Pan American) whereby Pan American acquired a 50% direct interest in the property. Pan American's acquisition cost was US\$708,750 cash and 231,511 Pan American common shares valued at US\$1,250,000 which were paid to Black Hawk as full consideration for the sale of its interest. The company is the operator during the exploration phase and exploration costs were shared equally from January 1, 2002. Pan American will be the operator during the feasibility and mine construction stages and will contribute the first US\$3,000,000 towards mine construction once a production decision is made, after which any further expenditures will be shared equally.

In 2002, Pan American and the company acquired all of Barrick's royalty interests and another 1.2% net smelter return royalty on the property. The company's 50% share of these royalty purchases was US\$400,000 (paid).

### c) Pirquitas, Argentina

During the year ended December 31, 2002, the company acquired a 43.4% interest in Sunshine (note 3(a)), which owns 100% of the surface and mineral rights for the Pirquitas silver property in northern Argentina. The company is the operator of Sunshine and all permits necessary for mining are currently valid. Sunshine owns all the surface rights covering the mineralization and location for the mill and plant facilities and the property is unencumbered by any royalties other than those payable to the government.

### d) Bowdens, Australia

The company owns a 100% interest in the Bowdens project in New South Wales, Australia and has continuing annual expenditure requirements of approximately Australian (AUS) \$85,500 to maintain its interest.

The company has an agreement to acquire certain back-in rights held by Rio Tinto Exploration Pty Ltd., the original vendor, by issuing 160,000 common shares (issued), committing to pay AUS\$1,500,000 on the commencement of production, and granting a royalty of a 2% net smelter return up to US\$5,000,000 in royalties and 1% thereafter. The obligations of the company under the agreement are collateralized by certain properties in the Bowdens project.

### e) Silvertip, Canada

During the year ended December 31, 2002, the company acquired a 100% interest in the Silvertip project located in northern British Columbia, Canada. To acquire this project, the company made a cash payment of \$1,200,000 and issued 100,000 common shares valued at \$618,000. An additional \$112,000 was accrued as a project cost representing the fair value of the reclamation obligations. In 2003, the company lodged a \$79,000 reclamation deposit as security for its reclamation obligations (note 13).

### f) Sulphurets, Canada

The Sulphurets project comprises the Bruce side property in British Columbia, Canada owned 100% by Newhawk, a subsidiary of the company. Prior to the acquisition in August 2001 (note 3(c)), the project was held as a 60% joint venture interest.

### g) Sunrise Lake, Canada

In June 2003, the company acquired a 100% interest in the Sunrise Lake deposit in Canada's Northwest Territories. To acquire this project, the company made a cash payment of US\$488,000 and issued 83,004 common shares of the company valued at \$576,000.

### h) Challacollo, Chile

In November 2001, the company entered into an option agreement to purchase the Challacollo silver project in northern Chile owned by Sociedad Contractual Minera Septentrion (Minera Septentrion). Under the terms of the agreement, the company made cash option payments of US\$1,500,000 staged over two years. The company now owns 100% of the project, subject to a 4% net smelter returns royalty, declining to 3% following payment of US\$850,000. The 3% net smelter returns royalty can be acquired at any time for a total of US\$1.5 million.

### i) San Marcial, Mexico

During the year ended December 31, 2002, the company entered into an option agreement whereby it could earn up to a 100% interest in an option on the 1,250 hectare San Marcial silver project in Sinaloa State, Mexico. The company exercised its option to acquire the 100% interest in the property by the payment of US\$150,000 (paid) in cash and

the issuance of 45,706 common shares of the company with a value of \$314,000. Pursuant to a new agreement entered into between the underlying property vendor and the company, the company is to make US\$75,000 in staged payments (paid) and pay US\$387,500 by February 13, 2004. The company is also to incur exploration expenditures of at least US\$225,000 on the property over a two-year period and this commitment has been met.

**j) Candelaria, U.S.A.**

In April 2001, the company exercised its option to acquire a 100% interest in the Candelaria silver mine in Nevada. The acquisition closed on October 1, 2001, with the company giving consideration with a face value of \$2,691,947 (note 3(d)), which has been allocated to mineral property costs. In 2002, \$89,000 was accrued as a project cost representing the fair value of the reclamation obligations. Under its agreement, upon completion of reclamation by Kinross, the company assumed all liabilities relating to the Candelaria property and has to provide substitute environmental bonds presently lodged by Kinross. The total cost of the monitoring of the property is estimated to be US\$20,300 over a five-year period. The bonding amount required is US\$1,679,435, but with the reclamation completed by Kinross to date, the size of the bonding requirements is expected to be reduced over time. The bonding date was extended to April 1, 2004 upon the payment of US\$50,000 (paid) to Kinross. The company has pledged the property to Kinross as collateral pending arranging reclamation bonding.

**k) Maverick Springs, U.S.A.**

In June 2003, the company signed an exploration and development agreement with Vista Gold Corp. (Vista), in which the company will acquire all silver resources hosted in the Maverick Springs gold-silver property in northern Nevada. Under the terms of the agreement, the company paid Vista US\$300,000 on closing and will contribute US\$1,200,000 over a period of four years commencing from October 7, 2002, towards exploration programs, land holding costs and option payments. At December 31, 2003, the company had paid Vista US\$242,358 toward exploration and accrued an additional US\$407,135 (\$526,000; 2002 - \$772,000), leaving US\$550,507 remaining to be spent on exploration under the agreement.

**l) Shafter, U.S.A.**

The company owns a 100% interest in Rio Grande, which holds the Shafter Presidio Silver Mine (Shafter) located in Presidio County, Texas. Shafter consists of approximately 3,430 acres of land, of which Rio Grande owns or leases certain of the surface and/or mineral estate. In 2002, the company paid US\$160,000 in cash and issued 53,000 common shares valued at \$326,000 for mill assets to be eventually used at Shafter. During the year ended December 31, 2003, the mill was moved to the property and the

company paid US\$50,000 and issued 5,000 common shares valued at \$36,000, for an additional land acquisition. All permits necessary to place the property in production are valid and subject to renewal over time.

**m) Bluey's, Australia**

In August 2001, the company entered into an agreement whereby it may earn a 51% joint venture interest in the Bluey's silver property and the surrounding tenement in Australia's Northern Territory by incurring exploration expenditures over time totalling AUS\$750,000. During 2002, the company terminated its interest and wrote off deferred costs of \$53,000.

**n) El Asiento, Bolivia**

In 2001, the company wrote off its \$1,744,000 investment in the El Asiento property and, in 2003, terminated its option on the property, returning the property back to the optionor.

**6 FIXED ASSETS**

|                  | 2003   |                          |        |  |
|------------------|--------|--------------------------|--------|--|
|                  | Cost   | Accumulated depreciation | Net    |  |
| Office equipment | \$ 339 | \$ 230                   | \$ 109 |  |
| Land             | 2      | -                        | 2      |  |
|                  | \$ 341 | \$ 230                   | \$ 111 |  |

|                  | 2002   |                          |       |  |
|------------------|--------|--------------------------|-------|--|
|                  | Cost   | Accumulated depreciation | Net   |  |
| Office equipment | \$ 285 | \$ 203                   | \$ 82 |  |
| Land             | 2      | -                        | 2     |  |
|                  | \$ 287 | \$ 203                   | \$ 84 |  |

**7 LONG-TERM DEBT**

|   | 2003  | 2002   |
|---|-------|--------|
| Amount payable to a former officer of Silver Assets in variable annual amounts over 20 years, discounted at 7.3%, final payment in 2015 | \$ 61 | \$ 103 |
| Mortgage payable at 10%, due in monthly instalments of US\$649, final payment due April 1, 2008 <sup>a)</sup>                           | 32    | 50     |
| Amounts payable relating to land acquisitions, final US\$37,500 payment due July 31, 2004. Interest at US\$1,000 per month              | 48    | 199    |
|   | 141   | 352    |
| Less: Current portion   | 66    | 103    |
|   | \$ 75 | \$ 249 |

<sup>a)</sup> The mortgage is collateralized by certain properties in the Shafter project (note 5(l)).



# NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the years ended December 31, 2003 and 2002 and 2001

(all tabular amounts are expressed in thousands of Canadian dollars, unless otherwise stated)

## 8 CAPITAL STOCK

Authorized

100,000,000 common shares without par value

Issued

|   | Number<br>of shares | Amount    |
|---|---------------------|-----------|
| Balance - December 31, 2000                         | 24,266,458          | \$ 52,078 |
| Issued during the year                              |                     |           |
| For cash  |                     |           |
| Private placement (a)                               | 1,914,000           | 4,495     |
| Exercise of options (note 9)                        | 1,941,225           | 3,976     |
| Exercise of warrants (note 10)                      | 1,733,000           | 2,703     |
| Finders' fees on private placement (a)              | 59,270              | 139       |
| For mineral properties (note 3(c) and (d))          | 1,000,000           | 2,882     |
| Share issue costs                                   | -                   | (165)     |
| Balance - December 31, 2001                         | 30,913,953          | 66,108    |
| Issued during the year                              |                     |           |
| For cash  |                     |           |
| Private placement (b)                               | 4,750,000           | 19,979    |
| Exercise of options (note 9)                        | 695,734             | 1,827     |
| Exercise of warrants (note 10)                      | 1,584,301           | 4,919     |
| Finders' fees on private placement (b)              | 80,640              | 323       |
| For mineral properties (note 5(e), (i) and (l))     | 198,706             | 1,258     |
| For conversion of convertible debenture (note 3(a)) | 360,636             | 2,092     |
| For mineral property payables (notes 3(d) and 5(a)) | 596,917             | 3,280     |
| Assigned value of exercised warrants and options    | -                   | 339       |
| Other   | 10,000              | 41        |
| Share issue costs (b)                               | -                   | (656)     |
| Balance - December 31, 2002                         | 39,190,887          | 99,510    |
| Issued during the year                              |                     |           |
| For cash  |                     |           |
| Exercise of options (note 9)                        | 536,372             | 2,140     |
| Exercise of warrants (note 10)                      | 2,779,589           | 11,089    |
| For mineral properties (note 5(g) and 5(l))         | 88,004              | 612       |
| In settlement of interest (note 3(a))               | 9,980               | 75        |
| Assigned value of exercised options                 | -                   | 165       |
| Share issue costs                                   | -                   | (54)      |
| Balance - December 31, 2003                         | 42,604,832          | \$113,537 |

a) During the year ended December 31, 2001, the company completed two private placements. In May 2001, the company issued 764,000 units at \$1.97 per unit. Each unit consisted of one common share and one common share purchase warrant exercisable into a common share of the company at \$2.32 per share until June 25, 2003. The company issued an additional 24,570 units as a finders' fee on this placement. In October 2001, the company issued 1,150,000 units at \$2.60 per unit. Each unit consisted of one common share and one common share purchase warrant exercisable into a common share of the company at \$3.00 per share until October 29, 2003. The company issued an additional 34,700 units as a finders' fee on this placement.

b) During the year ended December 31, 2002, the company completed two private placements. In May 2002, the company issued 4,200,000 units at \$4.00 or US\$2.51 per unit for gross proceeds of \$16,531,000. Each unit consisted of one common share and one common share purchase warrant exercisable into 4,200,000 common shares at \$4.80 per share until May 10, 2004. The company issued an additional 80,640 units valued at \$322,560 and paid \$112,697 in cash as a finders' fee on this placement. In December 2002, the company issued 550,000 units at US\$4.05 per unit for gross proceeds of \$3,448,500. Each unit consisted of one common share and 0.55 of one non-transferable common share purchase warrant such that 302,500 warrants were issued. Each whole warrant is exchangeable into one common share at US\$5.05 until December 18, 2004. The company paid \$146,500 in cash as a finders' fee on this placement. Other costs associated with both private placements totalled \$343,000.

## 9 STOCK OPTIONS

The company has a comprehensive share option plan for its employees, directors, officers and self-employed consultants. The plan provides for the issuance of incentive options to acquire up to a total of 8% of the issued and outstanding common shares of the company. The exercise price of each option shall not be less than the closing market price of the company's stock on the award date. The options can be granted for a maximum term of 5 years with vesting provisions determined by the company.

The changes in stock options issued to officers, employees, directors and non-employees are as follows:

|                                    | 2003             |                                 | 2002             |                                 | 2001             |                                 |
|------------------------------------|------------------|---------------------------------|------------------|---------------------------------|------------------|---------------------------------|
|                                    | Number of shares | Weighted average exercise price | Number of shares | Weighted average exercise price | Number of shares | Weighted average exercise price |
| Options outstanding at January 1   | 1,565,441        | \$ 4.60                         | 1,392,775        | \$ 2.58                         | 2,257,500        | \$ 2.06                         |
| Granted                            | 816,600          | \$ 10.46                        | 868,400          | \$ 6.26                         | 1,135,000        | \$ 2.70                         |
| Exercised                          | (536,372)        | \$ 3.99                         | (695,734)        | \$ 2.63                         | (1,941,225)      | \$ 2.05                         |
| Forfeited                          | -                | \$ -                            | -                | \$ -                            | (58,500)         | \$ 2.29                         |
| Options outstanding at December 31 | 1,845,669        | \$ 7.37                         | 1,565,441        | \$ 4.60                         | 1,392,775        | \$ 2.58                         |
| Options exercisable at December 31 | 1,784,419        | \$ 7.30                         | 1,529,191        | \$ 4.60                         | 1,376,525        | \$ 2.58                         |

As of December 31, 2003, incentive stock options represent 4.3% of issued and outstanding common capital.

The following table summarizes information about stock options outstanding and exercisable at December 31, 2003:

| Exercise price | Options outstanding | Options exercisable | Expiry date       | Weighted average remaining life (years) |
|----------------|---------------------|---------------------|-------------------|---|
| \$ 2.09        | 10,000              | 10,000              | June 5, 2005      | 1.4                                     |
| \$ 10.35       | 60,000              | 40,000              | September 3, 2005 | 1.7                                     |
| \$ 1.90        | 20,019              | 20,019              | December 28, 2005 | 2.0                                     |
| \$ 2.50        | 64,000              | 64,000              | August 16, 2006   | 2.6                                     |
| \$ 3.01        | 338,550             | 338,550             | November 6, 2006  | 2.8                                     |
| \$ 4.25        | 238,900             | 231,400             | January 1, 2007   | 3.0                                     |
| \$ 8.00        | 393,400             | 380,900             | August 2, 2007    | 3.6                                     |
| \$ 9.10        | 441,600             | 437,850             | January 31, 2008  | 4.1                                     |
| \$ 10.35       | 9,200               | 1,700               | September 3, 2008 | 4.7                                     |
| \$ 12.85       | 270,000             | 260,000             | December 22, 2008 | 5.0                                     |
|                | 1,845,669           | 1,784,419           |                   | 3.6                                     |

The company granted 66,500 (2002 - 74,900) stock options to non-employees in 2003. The fair value of these options was \$187,000 (2002 - \$161,000), with the company expensing \$169,000 (2002 - \$132,000) of this assigned value and deferring \$18,000 (2002 - \$29,000) into mineral property costs. As permitted under Canadian GAAP, for income statement purposes, the company has elected not to follow the fair value-based method of accounting for share options granted to employees and directors. Accordingly, no compensation expense was recorded on the grant of share options to employees and directors as the exercise price is equal to or greater than the market price at the date of the grant. Had the company followed the fair value method of accounting, the company would have recorded a compensation expense of \$2,840,000 (2002 - \$1,664,000) in respect of the 720,600 (2002 - 793,500) shares it issued to its employees and directors. Pro forma earnings information determined under the fair value method of accounting for stock options is as follows:

|                        | 2003     | 2002     |
|------------------------|----------|----------|
| Loss for the year      |          |          |
| As reported            | \$ 3,938 | \$ 2,198 |
| Compensation expense   | 2,840    | 1,664    |
| Pro forma              | \$ 6,778 | \$ 3,862 |
| Basic and diluted loss |          |          |
| As reported            | \$ 0.10  | \$ 0.06  |
| Pro forma              | \$ 0.17  | \$ 0.11  |

The fair value of stock options was estimated at the grant date based on the Black-Scholes option pricing model, using the following weighted average assumptions:

|                                     | 2003 | 2002 |
|-------------------------------------|------|------|
| Expected dividend yield (%)         | nil  | nil  |
| Average risk-free interest rate (%) | 3.5  | 3.4  |
| Expected life (years)               | 2.5  | 2.5  |
| Expected volatility (%)             | 61   | 50   |

Option pricing models require the input of highly subjective assumptions including the expected price volatility. Changes in the subjective input assumptions can materially affect the fair value estimate, and therefore, the existing models do not necessarily provide a reliable measure of the fair value of the company's stock options.



# NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the years ended December 31, 2003 and 2002 and 2001

(all tabular amounts are expressed in thousands of Canadian dollars, unless otherwise stated)

## 10 WARRANTS

During the year ended December 31, 2001, the company issued 600,000 common share purchase warrants which were assigned a value of \$326,000 (note 3(d)). During the year ended December 31, 2002, these warrants were exercised and the assigned value was credited to capital stock. At December 31, 2003, the company had received \$455,000 on the exercise of 92,900 common share purchase warrants. The common shares were not issued until subsequent to year-end.

The changes in warrants outstanding are as follows:

|                                     | 2003             |                                 | 2002             |                                 | 2001             |                                 |
|-------------------------------------|------------------|---------------------------------|------------------|---------------------------------|------------------|---------------------------------|
|                                     | Number of shares | Weighted average exercise price | Number of shares | Weighted average exercise price | Number of shares | Weighted average exercise price |
| Warrants outstanding at January 1   | 5,559,109        | \$ 4.56                         | 2,560,270        | \$ 2.87                         | 1,720,000        | \$ 1.50                         |
| Granted                             | -                | \$ -                            | 4,583,140        | \$ 5.00                         | 2,573,270        | \$ 2.91                         |
| Exercised                           | (2,779,589)      | \$ 3.99                         | (1,584,301)      | \$ 3.10                         | (1,733,000)      | \$ 1.56                         |
| Warrants outstanding at December 31 | 2,779,520        | \$ 4.99                         | 5,559,109        | \$ 4.56                         | 2,560,270        | \$ 2.87                         |

The following table summarizes information about warrants outstanding at December 31, 2003:

| Exercise price | Warrants outstanding | Expiry date       | Weighted average remaining life (years) |
|----------------|----------------------|-------------------|---|
| \$ 4.80        | 2,477,020            | May 10, 2004      | 0.4                                     |
| US\$5.05       | 302,500              | December 18, 2004 | 1.0                                     |
|                | 2,779,520            |                   | 0.5                                     |

## 11 RELATED PARTY TRANSACTIONS

- During the year ended December 31, 2003, the company recorded management fees and expense reimbursements of \$112,600 (2002 - \$176,900; 2001 - \$312,900) from companies related by common management. At December 31, 2003, accounts receivable include \$46,100 (2002 - \$78,500; 2001 - \$93,500) from these related parties.
- The company holds marketable securities in a number of companies that have a common director and one company with two common directors.
- During the year ended December 31, 2003, the company settled a receivable with the receipt of shares valued at \$50,000 from a company related by common management. During the year ended December 31, 2002, the company settled mineral property payables of \$3,026,000 with the issuance of 525,995 shares to a company with a director in common.

## 12 INCOME TAXES

- The income taxes shown on the consolidated statements of loss and deficit differ from the amounts obtained by applying statutory rates due to the following:

|  | 2003       | 2002       | 2001       |
|--|------------|------------|------------|
| Statutory tax rate   | 37.6%      | 39.6%      | 45%        |
| Loss for the year  | \$ (3,938) | \$ (2,198) | \$ (3,377) |
| Provision for income taxes based on statutory rates                      | (1,480)    | (870)      | (1,520)    |
| Differences in foreign tax rates   | (8)        | 11         | (1)        |
| Losses for which an income tax benefit has not been recognized and other | 1,488      | 859        | 1,521      |
|  | \$ -       | \$ -       | \$ -       |

- b) Future income taxes reflect the net tax effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes. Significant components of the company's future tax assets as of December 31 are as follows:

|   | 2003     | 2002     |
|---|----------|----------|
| <b>Long-term future tax assets</b>          |          |          |
| Capital and non-capital loss carry-forwards | \$ 7,527 | \$ 7,329 |
| Fixed assets and resource properties        | 6,524    | 5,497    |
| Share issuance costs                        | 183      | 362      |
| Total future tax assets                     | 14,234   | 13,188   |
| Valuation allowance for future tax assets   | (14,234) | (13,188) |
| Net future tax assets                       | \$ -     | \$ -     |

- c) As of December 31, 2003, the company has approximately \$13,979,000 in operating losses, \$6,041,000 in capital losses, and \$9,994,000 in accumulated Canadian and foreign exploration and development expenditures available to reduce future taxable income. The potential benefit of these losses has not been reflected in these consolidated financial statements. The operating losses expire as follows:

|      |                  |
|------|------------------|
| 2004 | \$ 323           |
| 2005 | 3,426            |
| 2006 | 2,427            |
| 2007 | 1,615            |
| 2008 | 1,702            |
| 2009 | 2,291            |
| 2010 | 2,195            |
|      | <u>\$ 13,979</u> |

Subject to certain restrictions, the company also has exploration and development expenditures available to reduce future taxable income in Australia, Argentina, Bolivia, Chile, Mexico, the United States and Peru. Future tax benefits that may arise as a result of these expenditures have not been recognized in these consolidated financial statements.

### 13 RECLAMATION

During the year ended December 31, 2003, the company incurred \$507,000 (2002 - \$420,000; 2001 - \$201,000) in on-going environmental and reclamation costs and changes in the provision for reclamation.

At December 31, 2003, \$1,291,000 (2002 - \$843,000; 2001 - \$503,000) has been recorded by the company as a provision for future reclamation expenses for its various properties, of which \$248,000 is considered current.

The company's asset retirement obligations relate to site restoration and clean-up costs of its various mineral properties. The three properties that comprise the majority of the obligations are the Duthie, Silver Standard Mine and Silvertip properties, all located in British Columbia, Canada.

On January 1, 2003, the company adopted the new standard of accounting for asset retirement obligations which harmonizes with U.S. GAAP. The new standard requires the recognition of a liability for obligations associated with the

retirement of fixed assets when the liability is incurred. A liability is recognized initially at fair value if a reasonable estimate of the fair value can be made and the resulting amount would be capitalized as part of the asset. The liability is accreted over time through periodic charges to earnings or mineral property costs. In subsequent periods, the company adjusts the carrying amounts of the asset and the liability for changes in estimates of the amount or timing of underlying future cash flows.

There has been no restatement of amounts reported in prior financial statements, as the impact of adoption was considered to be immaterial. The cumulative effect of the change up to January 1, 2003, which was recorded in 2003, was to increase mineral property cost by \$17,000 and reclamation expense by \$21,000.

A reconciliation of the provision for reclamation is as follows:

|                                     |                 |
|-------------------------------------|-----------------|
| Balance - Beginning of year         | \$ 843          |
| Liabilities settled during the year | (99)            |
| Accretion expense                   | 55              |
| Revisions in estimated cash flows   | 492             |
| Balance - End of year               | <u>\$ 1,291</u> |

The provision for reclamation is based on the following key assumptions:

- total undiscounted cash flows of \$2,021,000
- the expected timing of payment of the cash flows ranging in the years 2004 to 2014
- a credit adjusted risk free rate at which the estimated cash flows have been discounted of 10%.

At December 31, 2003, the company has lodged \$153,000 (2002 - \$70,000; 2001 - \$110,000) in security deposits with various government agencies in relation to its reclamation obligations. An additional US\$1,679,435 in security is required to be lodged by April 1, 2004 relating to the Candelaria property (note 5(j)).

### 14 SUPPLEMENTARY CASH FLOW INFORMATION

- a) Cash and cash equivalents at December 31 comprised the following:

|   | 2003             | 2002             | 2001            |
|---|------------------|------------------|-----------------|
| Cash on hand and balances held with banks | \$ 1,337         | \$ 1,138         | \$ 1,764        |
| Short-term deposits                       | 15,091           | 12,053           | 3,813           |
| Short-term investments                    | -                | 4,151            | -               |
|   | <u>\$ 16,428</u> | <u>\$ 17,342</u> | <u>\$ 5,577</u> |



# NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the years ended December 31, 2003 and 2002 and 2001

(all tabular amounts are expressed in thousands of Canadian dollars, unless otherwise stated)

- b) During the years ended December 31, 2003, 2002, and 2001, the company conducted non-cash financing and investing activities as set out below. Non-cash operating activities are not presented.

|   | 2003   | 2002     | 2001     |
|---|--------|----------|----------|
| <b>Non-cash financing activities</b>              |        |          |          |
| Shares issued for mineral property payables       | \$ -   | \$ 3,280 | \$ -     |
| Shares issued for mineral properties              | 612    | 1,258    | 2,882    |
| Shares issued for convertible debentures          | -      | 2,092    | -        |
| Shares issued in settlement of interest           | 75     | -        | -        |
| Shares issued for donations                       | -      | 41       | -        |
| Value assigned to options issued to non-employees | 169    | 161      | -        |
| Mineral property payable                          | -      | -        | 3,326    |
| Warrants issued for mineral properties            | -      | -        | 326      |
| Shares issued for finders' fees                   | -      | 323      | 139      |
| Finders' fees satisfied by issue of shares        | -      | (323)    | (139)    |
|   | \$ 856 | \$ 6,832 | \$ 6,534 |

|  | 2003     | 2002       | 2001       |
|--|----------|------------|------------|
| <b>Non-cash investing activities</b>                   |          |            |            |
| Reclamation capitalized to mineral properties          | \$ (97)  | \$ (242)   | \$ -       |
| Shares issued for mineral properties                   | (612)    | (1,258)    | (2,882)    |
| Value assigned to convertible debenture on acquisition | -        | (2,035)    | -          |
| Payable for mineral property                           | -        | (772)      | (3,326)    |
| Warrants issued for mineral properties                 | -        | -          | (326)      |
| Other mineral property costs                           | -        | (291)      | -          |
| Marketable securities received for mineral properties  | 53       | -          | -          |
| Marketable securities received for accounts receivable | 50       | -          | -          |
| Option value assigned to mineral property              | (18)     | (29)       | -          |
| Foreign exchange component included in reclamation     | (19)     | -          | -          |
|  | \$ (643) | \$ (4,627) | \$ (6,534) |

- c) Interest paid in the year was \$nil. (2002 - \$2,000; 2001 - \$nil).

## 15 SEGMENTED FINANCIAL INFORMATION

The company has one operating segment, which is the exploration and future development of mineral properties. Mineral property expenditures by property are detailed in note 5. Segment assets by geographic location are as follows:

|                        | Argentina | Australia | Canada   | Chile    | Mexico   | United States | 2003 Total |
|------------------------|-----------|-----------|----------|----------|----------|---------------|------------|
| Fixed assets           | \$ -      | \$ 1      | \$ 110   | \$ -     | \$ -     | \$ -          | \$ 111     |
| Mineral property costs | 24,680    | 16,971    | 6,871    | 4,451    | 2,717    | 10,801        | 66,491     |
|                        | \$ 24,680 | \$ 16,972 | \$ 6,981 | \$ 4,451 | \$ 2,717 | \$ 10,801     | \$ 66,602  |

|                        | Argentina | Australia | Canada   | Chile    | Mexico   | United States | 2002 Total |
|------------------------|-----------|-----------|----------|----------|----------|---------------|------------|
| Fixed assets           | \$ -      | \$ 1      | \$ 83    | \$ -     | \$ -     | \$ -          | \$ 84      |
| Mineral property costs | 22,944    | 15,439    | 5,587    | 1,840    | 1,515    | 8,905         | 56,230     |
|                        | \$ 22,944 | \$ 15,440 | \$ 5,670 | \$ 1,840 | \$ 1,515 | \$ 8,905      | \$ 56,314  |

## 16 COMMITMENTS

- a) The company has committed to payments under operating leases for the rental of office space. The future minimum lease payments are \$116,000 required in each of the next four years and \$29,000 in year five.
- b) Mineral property commitments are described in note 5.

## 17 FAIR VALUE OF FINANCIAL INSTRUMENTS

The estimated fair values of cash and cash equivalents, accounts receivable, reclamation deposits, and accounts payable and accrued liabilities approximate book values due to the short-term nature of these instruments. The company estimates the fair value of long-term debt to approximate carrying value. The fair value of marketable securities is disclosed in note 4.

## 18 MATERIAL DIFFERENCES BETWEEN CANADIAN AND UNITED STATES GENERALLY ACCEPTED ACCOUNTING PRINCIPLES (GAAP)

- a) The company prepares its consolidated financial statements in accordance with accounting principles generally accepted in Canada (Canadian GAAP), which differ in certain respects from those principles that the company would have followed had its consolidated financial statements been prepared in accordance with accounting principles generally accepted in the United States (U.S. GAAP). The major measurement differences between Canadian and U.S. GAAP and their effect on the consolidated financial statements are summarized below:

i) Under Canadian GAAP, the costs of acquiring mineral properties and related exploration and development expenditures are deferred (note 2). Under U.S. GAAP, exploration costs are those incurred prior to having prepared a final feasibility study establishing the presence of proven and probable reserves and are expensed as incurred. When proven and probable reserves are determined for a property and a final feasibility study prepared, then any subsequent exploration and development costs of the property would be capitalized. Once in production, any subsequent development costs would be treated as production costs charged to production. The company currently has no reserves and no producing properties. The capitalized costs of such properties would then be measured periodically for recoverability of carrying values under Statement of Financial Accounting Standards (SFAS) No. 144. Based on this guidance, for US GAAP purposes, the company has written off mineral exploration and acquisition costs in the year incurred (note (f)).

ii) Under U.S. GAAP, securities that are available-for-sale are recorded at fair value and unrealized gains or losses are part of comprehensive income. Under Canadian GAAP, there is no adjustment made for unrealized gains. The \$100,000 write-off of Other Assets relates to the write-off of the Sandy K. Mines Ltd. investment at the time of acquisition (note (f)).

iii) Under Canadian GAAP, before the introduction of Canadian Institute of Chartered Accountants (CICA) 1581 "Business

Combinations", the fair value of shares issued by an acquirer to effect a business combination was based on the quoted market price of shares at the date of acquisition. Under U.S. GAAP, the fair value of shares issued is based on the market price at the date the business combination agreement is agreed to and announced.

iv) Under Canadian GAAP, the company includes in cash equivalents, short-term investments with an initial maturity of over 90 days that are readily convertible into known amounts of cash and are subject to an insignificant risk of change in value. For U.S. GAAP purposes, these investments would not be included in cash and cash equivalents. At December 31, 2003, short-term investments of \$nil (2002 - \$4,151,000) would be excluded from cash equivalents for U.S. GAAP.

v) Canadian GAAP provides for investments in jointly controlled entities to be accounted for using proportionate consolidation. Under U.S. GAAP, investments in incorporated joint ventures are to be accounted for using the equity method. Under an accommodation of the United States Securities and Exchange Commission, the accounting for joint ventures need not be reconciled from Canadian to U.S. GAAP. The different accounting treatment affects only the display and classification of financial statement items and not net income or shareholders' equity. The company's interest in jointly controlled entities is reflected in the Piriquitas and Manantial Espejo mineral properties (note 5).

b) Consolidated summarized balance sheets

|                                      | 2003             |                    |                  | 2002             |                    |                              |
|--------------------------------------|------------------|--------------------|------------------|------------------|--------------------|------------------------------|
|                                      | CDN<br>GAAP      | Adjustments        | U.S.<br>GAAP     | CDN<br>GAAP      | Adjustments        | U.S.<br>GAAP<br>(Restated-f) |
| <b>Assets</b>                        |                  |                    |                  |                  |                    |                              |
| Current assets (ii)                  | \$ 18,458        | \$ 8,271           | \$ 26,729        | \$ 18,264        | \$ 1,045           | \$ 19,309                    |
| Mineral property costs (i) and (iii) | 66,491           | (66,491)           | -                | 56,230           | (56,230)           | -                            |
| Other assets (ii)                    | 264              | -                  | 264              | 254              | (100)              | 154                          |
|                                      | <b>85,213</b>    | <b>(58,220)</b>    | <b>26,993</b>    | <b>74,748</b>    | <b>(55,285)</b>    | <b>19,463</b>                |
| <b>Liabilities</b>                   |                  |                    |                  |                  |                    |                              |
| Current liabilities                  | 1,565            | -                  | 1,565            | 1,834            | -                  | 1,834                        |
| Other liabilities                    | 1,118            | -                  | 1,118            | 950              | -                  | 950                          |
|                                      | <b>2,683</b>     | <b>-</b>           | <b>2,683</b>     | <b>2,784</b>     | <b>-</b>           | <b>2,784</b>                 |
| <b>Shareholders' Equity</b>          |                  |                    |                  |                  |                    |                              |
| Capital stock (iii)                  | 113,537          | 169                | 113,706          | 99,510           | 169                | 99,679                       |
| Share subscriptions                  | 455              | -                  | 455              | -                | -                  | -                            |
| Stock options                        | 170              | -                  | 170              | 148              | -                  | 148                          |
| Other comprehensive loss/gain        | -                | 8,271              | 8,271            | -                | 1,045              | 1,045                        |
| Deficit (i) (ii) and (iii)           | (31,632)         | (66,660)           | (98,292)         | (27,694)         | (56,499)           | (84,193)                     |
|                                      | <b>82,530</b>    | <b>(58,220)</b>    | <b>24,310</b>    | <b>71,964</b>    | <b>(55,285)</b>    | <b>16,679</b>                |
|                                      | <b>\$ 85,213</b> | <b>\$ (58,220)</b> | <b>\$ 26,993</b> | <b>\$ 74,748</b> | <b>\$ (55,285)</b> | <b>\$ 19,463</b>             |



## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the years ended December 31, 2003 and 2002 and 2001

(all tabular amounts are expressed in thousands of Canadian dollars, unless otherwise stated)

### c) Consolidated statements of loss and deficit

|   | 2003            | 2002<br>(Restated-f) | 2001<br>(Restated-f) |
|---|-----------------|----------------------|----------------------|
| <b>Loss in accordance with Canadian GAAP</b>            | <b>\$ 3,938</b> | <b>\$ 2,198</b>      | <b>\$ 3,377</b>      |
| Mineral property costs for the year (i)                 | 10,261          | 17,147               | 13,675               |
| Mineral property costs written off during the year (ii) | -               | (53)                 | (1,744)              |
| Other   | (100)           | (10)                 | 9                    |
| <b>Loss in accordance with U.S. GAAP</b>                | <b>14,099</b>   | <b>19,282</b>        | <b>15,317</b>        |
| Unrealized gain on available-for-sale securities (ii)   | (7,226)         | (1,045)              | -                    |
| <b>Comprehensive loss</b>                               | <b>\$ 6,873</b> | <b>\$ 18,237</b>     | <b>\$ 15,317</b>     |
| <b>Basic and diluted loss per share</b>                 | <b>\$ 0.35</b>  | <b>\$ 0.54</b>       | <b>\$ 0.58</b>       |

### d) Consolidated statements of cash flows

|   | 2003        | 2002<br>(Restated-f) | 2001<br>(Restated-f) |
|---|-------------|----------------------|----------------------|
| <b>Cash flows from operating activities</b> |             |                      |                      |
| Per Canadian GAAP                           | \$ (3,095)  | \$ (2,250)           | \$ (1,646)           |
| Mineral property costs (i)                  | (9,587)     | (7,963)              | (4,591)              |
| Per U.S. GAAP                               | \$ (12,682) | \$ (10,213)          | \$ (6,237)           |
| <b>Cash flows from investing activities</b> |             |                      |                      |
| Per Canadian GAAP                           | \$ (10,768) | \$ (12,255)          | \$ (7,212)           |
| Mineral property costs (i)                  | 9,587       | 7,963                | 4,591                |
| Per U.S. GAAP                               | \$ (1,181)  | \$ (4,292)           | \$ (2,621)           |

### e) Impact of Recently Issued Accounting Standards

In April 2003, FASB issued Statement No. 149, Amendments of Statement 133 on Derivative Instruments and Hedging Activities (SFAS No. 149) which is primarily effective for contracts entered into or modified after June 30, 2003. The statement amends Statement No. 133, Accounting for Derivative Instruments and Hedging Activities (SFAS No. 133) for certain decisions made by the FASB as part of the Derivatives Implementation Group process and incorporates clarifications of the definition of a derivative. Adoption of SFAS No. 149 will not impact the company's financial position and results of operations.

In May 2003, the FASB issued SFAS No. 150, Accounting for Certain Financial Instruments with Characteristics of both Liabilities and Equity (SFAS 150). This statement establishes standards for how an issuer should classify and measure certain financial instruments having characteristics of both liabilities and equity. SFAS 150 requires that an issuer classify a financial instrument that is within its scope as a liability (or an asset in certain cases). Prior to the issuance of SFAS 150 many issuers classified such instruments as equity. SFAS 150 is effective for financial instruments entered into or modified

after May 31, 2003, and otherwise is effective at the beginning of the first interim period beginning after June 15, 2003. The adoption of SFAS 150 did not have any impact on the company's Consolidated Financial Statements because the company does not have any financial instruments with characteristics of both liabilities and equity.

The Canadian Institute of Chartered Accountants (CICA) has issued amendments to Section 3870 - "Stock-based Compensation and Other Stock-based Payments", which require an expense to be recognized in financial statements for all forms of employee stock-based compensation, including stock options. The company will be required to adopt the standard on January 1, 2004, which will result in compensation expense on stock options granted to directors and employees, previously only disclosed on a pro forma basis, to be charged to earnings.

The CICA has issued Accounting Guideline 13 - "Hedging Relationships" which establishes certain conditions regarding when hedge accounting may be applied which is effective for the company's fiscal year beginning January 1, 2004. The company does not expect the adoption of this guideline to have a material impact on the company's financial position or results.

The CICA has issued Accounting Guideline 15, "Consolidation of Variable Interest Entities," which will be effective for annual and interim periods beginning on or after January 1, 2004. This Guideline addresses the application of consolidation principles to entities that are subject to control on a basis other than ownership of voting interests. The company does not expect the adoption of this Guideline to have a material impact on the company's financial position or results of operations.

### f) Restatement

The company has restated the U.S. GAAP information to write off capitalized mineral property acquisition costs, the recovery of which cannot be supported under SFAS 144 (a)(i), and the investment (a)(ii). The effect of the restatement was to increase the U.S. GAAP loss for the year ended December 31, 2002 from \$8,759,000 to \$19,282,000 (2001: from \$5,526,000 to \$15,317,000; and 2000: from \$4,211,000 to \$5,777,000) and to increase the U.S. GAAP loss per share for the year ended December 31, 2002 from \$0.25 to \$0.51 (2001: from \$0.21 to \$0.58; and 2000: from \$0.19 to \$0.26). The effect of the restatement was also to reduce the U.S. GAAP shareholders' equity as at December 31, 2002 from \$53,681,000 to \$16,679,000 (2001: from \$32,642,000 to \$6,163,000).

### 19 SUBSEQUENT EVENT

In mid January 2004, the company closed a private placement of 2,955,000 units at a price of \$14.80 per unit for gross proceeds of \$43,734,000. Each unit consists of one common share and one-half of one common share purchase warrant. Each whole warrant is exercisable on payment of \$18.50 into one common share of the company for a period of two years. Finders' fees of 5% in units, 5% in both cash and warrants (each whole warrant entitling the holder to acquire one common share for a period of two years at a price of \$18.50) and 4.25% in cash are payable on various portions of the placement.



**During 2003, Silver Standard received two citations in recognition of outstanding reclamation achievement in British Columbia, Canada.**

## Environmental Policy and Practice

Silver Standard is committed to a policy of sustainable resource development which embodies the protection of human health and the natural environment. In Canada and internationally, the company will comply with regulatory requirements and diligently apply technically proven and economically feasible methodologies to protect the environment throughout its exploration, mining, processing and closure activities.

During 2003, Silver Standard received two citations in recognition of outstanding reclamation achievement in British Columbia, Canada. A joint technical and research committee of the Mining Association of British Columbia and the B.C. Ministry of Energy and Mines presented the awards to Silver Standard and its wholly-owned subsidiary, Newhawk Gold Mines Ltd., for work on the Duthie Mine in 2002 and the Hawk property in 2001.

These two citations underscore Silver Standard's technical capabilities that extend from mineral discovery (e.g., the recent discovery of silver mineralization at La Pitarrilla in Mexico) to former mine reclamation.



*Max Holtby (r), manager of environmental matters for Silver Standard, receives the citation for outstanding reclamation achievement for the Duthie Project in 2002 and the Hawk Property in 2001. Fred Hermann (l), Executive Director and Chief Inspector of Mines, Mines Branch, Ministry of Energy and Mines, Government of British Columbia, is the presenter of the awards.*





Paul LaFontaine  
Director, Investor Relations

In 2003, the management of Silver Standard had three primary objectives for shareholder and investor relations:

- (1) to continuously inform shareholders and prospective investors about company developments;
- (2) to maintain management's relationships with investors through a presence at key investor conferences, investor and mining-related internet sites and publications, and shareholder information meetings in North America;
- (3) to increase institutional interest in Silver Standard.

Silver Standard's shares substantially outperformed its major peers in 2003 and our market capitalization more than tripled from the end of 2002 to the date of this report in April 2004. Silver Standard's shareholder base has grown by at least 30% from 2002 to 2004: shareholders now number approximately 25,000, up from 18,000 at year-end 2002, reflecting greater interest in precious metals, communications initiatives unique to Silver Standard, and the company's strong property portfolio and cash position.

The most important investor relations activity undertaken in 2003 by Bob Quartermain, president of the company, was to expand investor interest in silver and Silver Standard in North America and Europe. Many shareholders might be surprised to learn that in early 2003 institutional investors held just 5% of the company's common shares.

Following a series of presentations in Atlanta, New York, Boston, the West Coast, London, Paris and Zurich, institutional holdings in the company had increased to approximately 14% at year-end, usually through share purchases on the open market. Since institutional holdings among our peers range from 30% to 60%+, we

believe there is still opportunity for increased institutional awareness of Silver Standard and this program will continue through 2004.

Silver Standard is among the best recognized names in North American primary silver equities because the company places a high emphasis on shareholder communications. All shareholders receive annual and quarterly reports by mail, and news releases by fax and electronically. In 2003, the company published over 20 news releases which are routinely distributed through well-known business networks and databases in North America. About 15% of Silver Standard's shareholders have signed up to receive news releases by e-mail. If you would like to join this list, send an e-mail requesting that your name and e-mail address be added to our confidential database.

As we have in prior years, Silver Standard participated in investor and mining related conferences in North America in 2003 and, where appropriate, sent invitations to shareholders within a reasonable area surrounding each conference city. We also held shareholder information meetings in 2003 and 2004, continuing an initiative we had developed in 2002 to keep our retail shareholders informed and to solicit their views on company and silver market issues. Usually held at the same time as other planned business meetings or conferences, these meetings took place in Toronto, Boston, New York, Atlanta, New Orleans, San Antonio, Dallas, Denver, Phoenix, La Jolla, and San Francisco.

## Regulatory Filings

Over the last five years, Silver Standard has substantially increased the volume of its filings with regulatory bodies in Canada and the United States. Much of this information is available over the internet. Here is a list of site resources for interested shareholders:

- The company's web site: [www.silver-standard.com](http://www.silver-standard.com). We are now posting maps when possible with news releases and are planning to redesign the site in 2004.
- The TSX Venture Exchange web site: [www.tse.com](http://www.tse.com). This site provides shareholders with time-delayed quotes in Canadian dollars as well as up-to-date information on the issued capital of the company.
- System for Electronic Disclosure by Insiders (SEDI) web site: [www.sedi.ca](http://www.sedi.ca). Under British Columbia securities regulations, company insiders must file changes in share position within 10 days of the transaction.
- The Securities and Exchange Commission web site: <http://www.sec.gov>. Silver Standard has been filing manually its SEC documents since 1995 and commenced filing electronically in late 2002.

## Resources for Investors

Silver Standard relies on CPM Group in New York ([www.cpmgroup.com](http://www.cpmgroup.com)) for economic information on silver. Each year, Investor Relations obtains a limited quantity of CPM Group's Silver Survey. The 2004 survey will be available in late April – call Investor Relations at either 888-338-0046 (toll-free in North America) or 604-689-3846 or email us at [invest@silverstandard.com](mailto:invest@silverstandard.com) to obtain your free copy.

The company supports efforts by the Silver Institute to fund research for practical industrial applications of silver. The Silver Institute publishes an interesting quarterly newsletter that is available free through its web site at [www.silverinstitute.org](http://www.silverinstitute.org).

## 2004 Conference Schedule

**January 25-26:** Vancouver Investment Conference, Vancouver

**January 26-29:** Cordilleran Roundup hosted by the B.C. and Yukon Chamber of Mines, Vancouver

**February 22-25:** International Zinc and Silver Conference, Phoenix

**March 7-10:** Convention and Trade Show hosted by Prospectors and Developers Association of Canada, Toronto

**April 21-23:** European Gold Forum 2004, Zurich, Switzerland

**May 7:** CPM Group's Silver Survey 2004, New York

**June 2-3:** New York Precious Metals Conference

**September 11-12:** Las Vegas Precious Metals Conference

**September 26-29:** Denver Gold Forum 2004

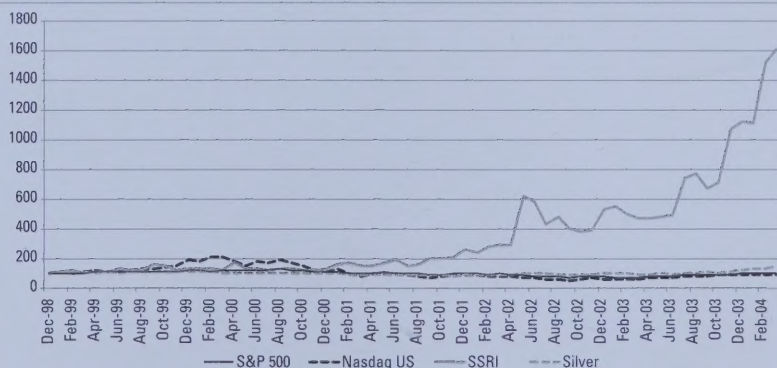
**November 10-14:** New Orleans 2004 Investment Conference

**November 28-29:** San Francisco Precious Metals Conference

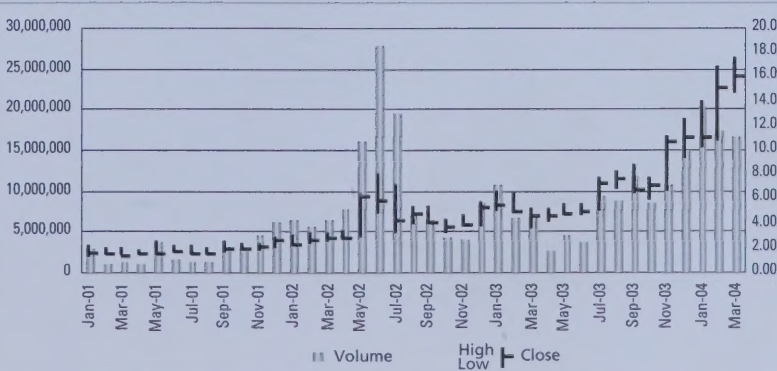
In 2004, the objectives of Silver Standard's investor relations activities are to:

- (1) communicate key exploration and production-oriented developments to institutional investors in North America and Europe; and
- (2) maintain a high profile with shareholders through investor conferences, telephone accessibility, e-mail, and increasing corporate visibility in the media.

SILVER STANDARD, SILVER, S&P 500, NASDAQ (Jan. 1, 1998 = 100)



SHARE VOLUME AND PRICE IN US\$





**MANAGEMENT**

**Robert A. Quartermain**  
President

**Joseph J. Ovsenek**  
Senior Vice President

**Kenneth C. McNaughton**  
Vice President, Exploration

**Ross A. Mitchell**  
Vice President, Finance

**Linda J. Sue**  
Corporate Secretary

**Paul W. LaFontaine**  
Director, Investor Relations

**Max H. Holtby**  
Senior Geologist

**James R. Whelan**  
Advisor to the President,  
Miami, Florida

**Guillermo Lozano**  
Manager, Mexico

**Ian J. Pringle**  
Manager, Australia

**John Selters**  
Manager, Chile

**HEAD OFFICE**

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**SHAREHOLDER AND INVESTOR RELATIONS**

N.A. toll-free 888-338-0046  
E-mail: [invest@silverstandard.com](mailto:invest@silverstandard.com)  
Web Site: [www.silver-standard.com](http://www.silver-standard.com)

**AUDITORS**

PricewaterhouseCoopers LLP  
Vancouver, British Columbia

**STOCK EXCHANGE LISTINGS**

Nasdaq SmallCap  
Trading Symbol: **SSRI**

TSX Venture Exchange  
Trading Symbol: **SSO**

**CAPITALIZATION**

Authorized: 100,000,000 common shares  
CUSIP: 82823L-10-6  
Issued (as at December 31, 2003): 42,604,832  
Fully Diluted  
(as at March 31, 2004): 51,669,996

**TRANSFER AGENT AND REGISTRAR**

Computershare Trust Company  
of Canada  
510 Burrard Street  
Vancouver, British Columbia  
V6C 3B9

Computershare Trust Company  
of Canada  
151 Front Street West  
Toronto, Ontario  
M5J 2N1

Shareholder Inquiries: (888) 661-5566  
E-mail: [caregistryinfo@computershare.com](mailto:caregistryinfo@computershare.com)  
Web Site: [www.computershare.com](http://www.computershare.com)

**Annual General Meeting  
of Shareholders**

The annual general meeting of shareholders of the company will take place at 2:00 p.m. on Tuesday, June 15, 2004 in the Atkins Room at the Terminal City Club, 837 West Hastings Street in Vancouver, British Columbia.

**Cautionary Note**

Some of the statements contained in this annual report are forward-looking statements, such as estimates and statements that describe our future plans, objectives or goals, including words to the effect that we or management expects a stated condition or result to occur. Such forward-looking statements are made pursuant to the safe harbor provisions of the United States Private Securities Litigation Reform Act of 1995.

Since forward-looking statements address future events and conditions, by their very nature they involve inherent risks and uncertainties. Actual results relating to, among other things, resources, results of exploration, reclamation and

other post-closure costs, capital costs and mine production costs could differ materially from those currently anticipated in such statements by reason of factors such as the productivity of our resource properties, changes in general economic conditions and conditions in the financial markets, changes in demand and prices for minerals, litigation, legislative, environmental and other judicial, regulatory, political and competitive developments in domestic and foreign areas in which we operate, technological and operational difficulties encountered in connection with our exploration activities, labor relations matters, costs and changing foreign exchange rates.

This list is not exhaustive of the factors that may affect any of our forward looking statements. These and other factors should be considered carefully and readers should not place undue reliance on our forward looking statements. Further information regarding these and other factors is included in our filings with the U.S. Securities and Exchange Commission and Canadian provincial securities regulatory authorities. In this annual report, "we", "us", "our", the "Company" and "Silver Standard" refer to Silver Standard Resources Inc., its subsidiary companies and its proportionate share of joint ventures.



**DIRECTORS (from left to right)**

**David L. Johnston, Director**  
Former President and General Manager  
Highland Valley Copper Corporation  
Cranbrook, British Columbia

**William Meyer, Director**  
Former Vice President, Exploration,  
Teck Corporation  
Vancouver, British Columbia

**Robert A. Quartermain**  
Director and President  
Vancouver, British Columbia

**R.E. Gordon Davis, Director**  
President  
Canplats Resources Corporation,  
Vancouver, British Columbia

**Catherine McLeod-Seltzer, Director**  
President, Pacific Rim Mining Corp.  
Vancouver, British Columbia



